

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number 1101007126	



Annual Financial Report

**For the Fiscal Year Ended
June 30, 2005**



ANNUAL FINANCIAL REPORT
OF THE
CITY OF SAGINAW, MICHIGAN

For the Fiscal Year Ended June 30, 2005
As Prepared by the Fiscal Services Department

CITY COUNCIL

Wilmer J. Ham, Mayor
Charles H. Coleman
Carol B. Cottrell
Andrew Coulouris
Willie Haynes
Amos O'Neal
Daniel G. Soza
Roma Thurin

CITY MANAGER

Cecil A. Collins, Jr.

DEPARTMENT OF FISCAL SERVICES

Darnell Earley
Acting Finance Director
Richard Powell
Treasurer

CONTROLLER DIVISION

Patricia Mindykowski
City Controller

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FINANCIAL



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

INDEPENDENT AUDITORS' REPORT

June 9, 2006

Honorable Mayor and
Members of City Council
City of Saginaw
Saginaw, Michigan 48601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***City of Saginaw, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements of the Saginaw Economic Development Commission (SEDC) have not been included in the City's financial statements. Accounting principles generally accepted in the United States of America require the SEDC to be presented as a discretely presented component unit. The amount by which this departure would affect the assets, liabilities, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, except for the effects of not including the SEDC in the aggregate discretely presented component units, as described in the preceding paragraph, the financial statements of the aggregate discretely presented component units present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the ***City of Saginaw, Michigan*** as of June 30, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, Michigan***, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated June 9, 2006 on our consideration of the ***City of Saginaw, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 10 and the Pension Analysis of Fund Progress on page 57 are not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***City of Saginaw, Michigan's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Lehmann Johnson".

CITY OF SAGINAW, MICHIGAN MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The City of Saginaw's annual report follows a prescribed format in accordance with the requirements of all Governmental Accounting Standards Board Statements, as well as all Generally Accepted Accounting Principles.

Within the financial section there are four major parts: (1) Management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) other supplemental information that presents combining statements for non-major governmental, enterprise, internal service, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial condition. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting its operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private section companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements (Statement of Net Assets and Statement of Activities) of the City are divided into two categories:

- **Governmental activities:** Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, and general administration. Property taxes, income taxes, intergovernmental revenue, charges for services, grants and contributions, and investment earnings provide most of the funding.
- **Business-type activities:** The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system, and parking system, are treated as business-type activities, with an enterprise function.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and some by bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City utilizes three kinds of funds:

- **Governmental funds:** Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary funds:** Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.
- **Fiduciary funds:** The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Overview

Net assets: The City of Saginaw has combined net assets of \$135,659,688. Business type activities comprise \$93,165,766 and governmental activities make up \$42,493,922 of the total net assets. The table below shows, in a condensed format, a comparison of the net assets as of the current date to the prior year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 23,172,177	\$ 23,202,016	\$ 28,233,089	\$ 22,933,079	\$ 51,405,266	\$ 46,135,095
Capital assets	34,933,368	31,098,413	123,813,494	129,581,908	158,746,862	160,680,321
Total assets	58,105,545	54,300,429	152,046,583	152,514,987	210,152,128	206,815,416
Current liabilities	3,940,395	4,977,824	2,056,992	2,246,310	5,997,387	7,224,134
Long-term liabilities	11,671,228	11,187,439	56,823,825	62,170,845	68,495,053	73,358,284
Total liabilities	15,611,623	16,165,263	58,880,817	64,417,155	74,492,440	80,582,418
Net assets:						
Invested in capital assets, net of related debt	32,145,099	30,031,876	62,651,489	68,419,903	100,208,352	98,451,779
Restricted	3,519,523	3,606,255	8,991,506	7,213,017	12,511,029	10,819,272
Unrestricted	6,829,300	4,497,035	21,522,771	12,464,912	22,940,307	16,961,947
Total net assets	\$ 42,493,922	\$ 38,135,166	\$ 93,165,766	\$ 88,097,832	\$ 135,659,688	\$ 126,232,998

Net assets increased by \$7,083,744 during the year. The primary cause of the change is due to an increase related to the reporting of assets as prescribed by GASB 34.

Change in net assets: Information in the following table is extracted from the Statement of Activities, and shows the revenue and expense components of changes in net assets for the year ended June 30, 2005.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 5,921,226	\$ 6,578,507	\$ 31,172,644	\$ 28,520,518	\$ 37,093,870	\$ 35,099,025
Operating grants and contributions	8,436,474	10,157,148	-	-	8,436,474	10,157,148
Capital grants and contributions	140,298	2,352,930	-	96,122	140,298	2,449,052
General revenues:						
Property taxes	6,288,708	5,769,686	-	-	6,288,708	5,769,686
Income taxes	13,228,923	12,918,086	-	-	13,228,923	12,918,086
Grants and contribution not restricted to specific programs	10,497,715	10,430,488	-	-	10,497,715	10,430,488
Unrestricted investment earnings	420,938	245,726	145,429	39,033	566,367	284,759
Miscellaneous	123,711	55,351	-	-	123,711	55,351
Insurance proceeds	-	-	-	424,501	-	424,501
Increase in investment in Saginaw-Midland Water Supply Corp	-	-	327,504	140,265	327,504	140,265
Gain on disposal of capital assets	99,344	96,787	-	-	99,344	96,787
Total revenues	45,157,337	48,604,709	31,645,577	29,220,439	76,802,914	77,825,148
Expenses:						
General government	6,007,395	7,799,095	-	-	6,007,395	7,799,095
Public safety	23,304,106	25,221,704	-	-	23,304,106	25,221,704
Highway/streets	3,443,680	5,860,512	-	-	3,443,680	5,860,512
Garbage, rubbish and recycling	3,130,100	2,818,274	-	-	3,130,100	2,818,274
Other general services	3,077,279	3,886,419	-	-	3,077,279	3,886,419
Community services	1,166,686	1,278,181	-	-	1,166,686	1,278,181
Contributions to other organizations	11,150	137,167	-	-	11,150	137,167
Demolitions	540,248	101,218	-	-	540,248	101,218
Economic development	2,342,056	3,156,542	-	-	2,342,056	3,156,542
Interest on long-term debt	150,089	188,280	-	-	150,089	188,280
Water	-	-	10,426,250	10,391,552	10,426,250	10,391,552
Sewer	-	-	15,454,138	15,887,100	15,454,138	15,887,100
Parking	-	-	524,186	626,761	524,186	626,761
Wave pool	-	-	141,807	142,579	141,807	142,579
Total expenses	43,172,789	50,447,392	26,546,381	27,047,992	69,719,170	77,495,384
Transfers	31,262	(417,144)	(31,262)	417,144	-	-
Increase (decrease) in net assets	2,015,810	(2,259,827)	5,067,934	2,589,591	7,083,744	329,764
Net assets, beginning	40,478,112	40,394,993	88,097,832	85,508,241	128,575,944	125,903,234
Total net assets	\$ 42,493,922	\$ 38,135,166	\$ 93,165,766	\$ 88,097,832	\$ 135,659,688	\$ 126,232,998

When comparing revenues for the fiscal years ending June 30, 2004 and 2005, the charges for services were down over \$600,000 primarily due to reduced economic development charges. Capital grants and contributions were down over \$2.2 million due to a reduction in the Marina Grant fund, caused by a reduction in riverfront development projects. Expenses for governmental activities for the fiscal year ending June 30, 2005 were down primarily due to staff reductions and a decrease in the amount expended on temporary workers. In addition, the \$2.2 million decrease in the public safety expenditures was also a result of the activity in the Marina Grant fund.

Governmental Activities

General revenues for governmental activities totaled approximately \$30.7 million for the year ended June 30, 2005. A total of approximately \$6.3 million was in the form of property tax collections and related revenues that reflected a decrease in the tax rate for general operations from 5.6106 (\$5.6106 per \$1,000 of taxable value) to 5.4185 mills, and a 1.252% increase in the overall taxable value of property located within the City. Income tax generated approximately \$13.2 million from residents and non-residents who live or work in the City respectively. Intergovernmental revenues, in the form of state shared revenues, continue to be of concern. While they provided \$10.5 million, it is uncertain what will happen in the next several years, given the State of Michigan's financial difficulties.

Business-type Activities

Business-type activities operated by the City include the water and sewer system, and parking system. Program revenues from business-type activities were approximately \$31.2 million. Significant items include sewer service - \$17.6 million, water supply - \$13 million, parking - \$504 thousand.

Raw water from Lake Huron is provided via the Saginaw-Midland Municipal Water Supply Corporation, a joint venture between the City of Saginaw and the City of Midland. The SMMWSC pipeline supplies the City's water treatment plant as well as Midland's large industrial customers. The City owns and operates its own sanitary sewer collection and treatment system. In accordance with regulations promulgated by the Michigan Department of Environmental Quality, the sewer treatment system is operated by the City of Saginaw. The City also owns and operates several parking surface lots and a parking ramp.

Current Economic Events

As of the date of this analysis, several issues are worth noting in evaluating the financial condition of the City of Saginaw.

Property Tax Cap: In 1979, the citizens of Saginaw froze the maximum dollar levy to that of the previous year, which stands to date at \$3,828,788. Therefore the corporate millage rate must be adjusted annually with each change in taxable value to ensure adherence to the imposed dollar levy cap or 7.5 mills, whichever is lower.

Renaissance Zones: Development in Renaissance Zones has increased and allows for residents of the zone to be assessed immaterial property taxes, and no local or state income taxes. Businesses located in the Renaissance Zone are exempt from local and state corporate taxes. Recent medical activity in zones has resulted in job movement from inside and outside of the City into the zones. Property ownership and tax filing status may impact income taxes because some of the higher paying jobs may be exempt from income taxes.

Economic growth: The City continues to experience moderate economic growth. The Saginaw Housing Commission and Habitat for Humanity continue to provide scattered public housing and building blitz within the City of Saginaw.

Future State of Michigan Public Act 425 Agreements or corresponding service agreements are being negotiated with other communities as they increase business and residential development. These agreements will provide a direct revenue flow to the General Fund. The most promising 425 Agreement revenue stream is local income tax.

Local income tax: The City of Saginaw receives 40.6% of its General Fund revenue from local income tax. Economic conditions continue to have a negative impact on this revenue source. For the 2005-2006 budget, a 4% reduction is being considered (\$528,923). In 2005, \$13.2 million was received from local income taxes compared to \$12.9 in 2004.

State shared revenues: The City of Saginaw receives 32.2% of its General Fund revenue from state revenue sharing. The State of Michigan is experiencing significant budget problems, which it is attempting to partially remedy by cutting payments to shared sales tax revenues to local units of government. The City's 2005-2006 budget showed an overall reduction of 2%, amounting to a loss of approximately \$180,143. It is our belief that any additional and continued cuts in state shared revenue will severely impact the City's ability to provide services.

Financial Analysis of City Funds and Budgets

The General Fund ended 2004-2005 with a fund balance of \$5.0 million, of which the following amounts were unreserved but designated:

- \$0.2 million for budget stabilization
- \$0.3 million for the self insurance fund deficit
- \$0.8 million for the workers compensation fund deficit
- \$0.4 million for the parking fund cash deficit

Of the remaining \$3,301,770 of fund balance, \$36,081 is reserved for encumbrances and \$44,704 is reserved long-term advances. The unreserved, undesignated fund balance is \$3,220,985 as of June 30, 2005. The budget stabilization designation and the unreserved and undesignated amount (\$3,430,711) represented 10.41% of the June 30, 2005 General Fund expenditures and other financing uses. That same number represents 10.42% of the fiscal year 2005-2006 budget (prior to 2005-2006 budget amendments).

Several factors affected General Fund operating results:

- Local income tax was up by \$0.3 million
- State shared revenue was up by \$81,324
- Investment income was up by \$51,211

The General Fund budget is amended throughout the year, and resulted in \$88,185 in expenditures over revenues. Revenues were \$753,770 over budget while expenditures were \$1,580,452 under budget.

Major and Local Streets' funds continue to struggle with minimal fund balances for the second time in over 15 years, approximately \$1,365,000 and \$13,000, respectively.

The Rubbish Fund has a June 30, 2005 fund balance of approximately \$306,000. Significant operation changes during the year eliminated the \$92,005 deficit in this fund for the year ended June 30, 2004.

Paid Time Off (PTO) Liability Fund had a fund balance of \$0.7 million and \$1 million as of June 30, 2005 and June 30, 2004, respectively. The projected unfunded liability is \$5 and \$5 million as of June 30, 2005 and June 30, 2004, respectively. The PTO liability has changed to 20% funded from 28% funded.

The City's June 30, 2001 \$115 million in unfunded health care liability impacts all funds. Prior to the 2004-2005 fiscal year, General Fund was the single contributing fund to this liability. After receiving the June 30, 2001 actuary report, other funds are budgeted to contribute. A plan to fund 50% of the \$115 million liability is being developed and would require a \$500,000, annual contribution to the Public Employee Healthcare fund.

Capital Projects

During the year ended June 30, 2005, the City performed the following significant projects.

Project Information	
Project Name	Description
Center St. Reconstruction	Total Roadway Reconstruction from King Street to Schenck Bridge, including concrete curb and gutter, ADA sidewalk ramps and Hot Mix Asphalt resurfacing.
Genesee Ave. Bridge Railing Replacement	Bridge Railing and Street Lighting replacement. Removal and replacement of existing bridge railing system and the removal of the existing bridge lighting system and installation of decorative street lighting to match and be a continuation of the decorative street lighting that was installed in the downtown area as part of the Washington Ave. construction project.

5 th Ave.: Reconstruction/Water main	Reconstruction/Resurfacing between Janes Avenue and Fitzhugh Street including concrete curb and gutter in select areas, ADA sidewalk ramps and Hot Mix Asphalt resurfacing.
Weiss Street: Reconstruction	Reconstruction and roadway widening between Michigan Ave. and Carrollton St. including concrete pavement, concrete curb and gutter, drainage structures, ADA sidewalk ramps and water main replacement.
Riverfront Improvements (3 Projects) Docks, pedestrian pathways and fishing pier	Improve the riverfront for more public access and used grant money from the state. Work includes construction of deck, floating docks, ramps, parking lots, pathways, rock gabion walls, stairs and seawalls for Westside Riverfront Park, Broadside Docking Facilities and Ojibway Island Pier.
Ramp One Partial Demo levels 4 & 5	Demolition of levels 4 and 5 of the 1200 car parking facility, along with installation of hydraulic elevator, elevator modifications and stair tower reconstruction.
2004 CDBG Resurfacing	CDBG Block Grant monies used as match money for Federal Aid Projects. City paid 20 cents on the dollar.
2004 CDBG Sidewalk	Construction of ADA Ramps at intersections to be compliant with the Americans with Disabilities Act in Block Grant areas.

Further information regarding the City's capital assets can be found in Note H. to the financial statements.

Long Term Debt

At the end of the current fiscal year, the City of Saginaw had total bonded debt outstanding of \$56.5 million in principal and \$7.5 million in interest. Of this amount, \$2.5 million in principal comprises debt backed by the full faith and credit of the government. The remainder of the City of Saginaw's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Saginaw's Outstanding Debt General Obligation and Revenue Bonds

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General obligation bonds	\$828,269	\$51,910	\$ 1,100,000	\$ 616,363	\$ 1,928,269	\$ 668,273
Revenue Bonds	-	-	54,567,656	6,855,547	54,567,656	6,855,547
Total	<u>\$828,269</u>	<u>\$51,910</u>	<u>\$55,667,656</u>	<u>\$7,471,910</u>	<u>\$56,495,925</u>	<u>\$ 7,523,820</u>

Further information regarding the City's long-term debt can be found in Note F. to the financial statements.

Contacting the City of Saginaw

This report is intended to aid our residents and other interested parties in understanding the City of Saginaw's financial condition. Questions and comments should be directed to the Fiscal Services Department at the Saginaw City Hall, 1315 South Washington Avenue, Saginaw, Michigan 48601. Fiscal Services staff can be reached at 989-759-1443 or at saginaw-mi@domino.com.

**BASIC
FINANCIAL
STATEMENTS**

CITY OF SAGINAW
STATEMENT OF NET ASSETS
June 30, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,797,122	\$ 1,703,860	\$ 5,500,982	\$ 3,362,056
Investments	3,860,632	3,717,330	7,577,962	-
Receivables	13,157,902	7,470,661	20,628,563	205,439
Internal balances	(1,466,996)	1,466,996	-	-
Prepaid items and other assets	81,658	-	81,658	-
Inventory	589,046	546,468	1,135,514	-
Other assets	-	8,461,292	8,461,292	-
Restricted cash and cash equivalents	820,208	4,866,482	5,686,690	-
Restricted investments	2,332,605	-	2,332,605	-
Nondepreciable capital assets	16,176,492	2,076,073	18,252,565	-
Depreciable capital assets, net	18,756,876	121,737,421	140,494,297	-
TOTAL ASSETS	58,105,545	152,046,583	210,152,128	3,567,495
LIABILITIES				
Accounts payable and accrued expenses	2,873,662	2,056,992	4,930,654	25,432
Unearned revenue	1,066,733	-	1,066,733	-
Noncurrent liabilities:				
Due within one year	2,613,371	6,506,178	9,119,549	-
Due in more than one year	9,057,857	50,317,647	59,375,504	-
TOTAL LIABILITIES	15,611,623	58,880,817	74,492,440	25,432
NET ASSETS				
Invested in capital assets, net of related debt	32,145,099	68,063,253	100,208,352	-
Restricted for:				
Debt service	39,241	1,639,223	1,678,464	-
Capital projects	25,892	2,175,877	2,201,769	-
Endowments:				
Expendable	108,236	-	108,236	-
Nonexpendable	2,381,437	-	2,381,437	-
Other purposes	964,717	5,176,406	6,141,123	3,542,063
Unrestricted	6,829,300	16,111,007	22,940,307	-
TOTAL NET ASSETS	\$ 42,493,922	\$ 93,165,766	\$ 135,659,688	\$ 3,542,063

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

EXHIBIT A-2

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government:					
Other general government	\$ 3,958,092	\$ 790,971	\$ 10,000	\$ -	\$ (3,157,121)
Administration:					
Fiscal services	2,049,303	1,854,134	-	-	(195,169)
Public safety:					
Fire protection	9,497,642	13,138	-	-	(9,484,504)
Police protection	13,214,085	206,250	98,878	-	(12,908,957)
Police grants	546,393	1,213	288,813	-	(256,367)
Other public safety	-	2,295	48,152	-	50,447
General services:					
Highways and streets	3,443,680	14,743	5,459,302	95,410	2,125,775
Garbage, rubbish and recycling	3,130,100	1,602,839	-	-	(1,527,261)
Other general services	3,077,279	556,262	160	-	(2,520,857)
Community services:					
Demolitions	540,248	102,702	-	-	(437,546)
Contributions to other organizations	11,150	-	-	-	(11,150)
Other community services	1,212,672	574,260	113,199	44,862	(480,351)
Economic development	2,342,056	202,419	2,417,970	26	278,359
Interest on long-term debt	150,089	-	-	-	(150,089)
Total governmental activities	<u>43,172,789</u>	<u>5,921,226</u>	<u>8,436,474</u>	<u>140,298</u>	<u>(28,674,791)</u>
Business-type activities:					
Sewer	15,454,138	17,633,545	-	-	2,179,407
Water	10,426,250	13,034,626	-	-	2,608,376
Parking	524,186	504,473	-	-	(19,713)
Wave Pool	141,807	-	-	-	(141,807)
Total business-type activities	<u>26,546,381</u>	<u>31,172,644</u>	<u>-</u>	<u>-</u>	<u>4,626,263</u>
Total primary government	<u>\$ 69,719,170</u>	<u>\$ 37,093,870</u>	<u>\$ 8,436,474</u>	<u>\$ 140,298</u>	<u>\$ (24,048,528)</u>
Component units	<u>\$ 205,610</u>	<u>\$ 11,695</u>	<u>\$ 23,448</u>	<u>\$ -</u>	<u>\$ (170,467)</u>

continued...

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	<u>\$ (28,674,791)</u>	<u>\$ 4,626,263</u>	<u>\$ (24,048,528)</u>	<u>\$ (170,467)</u>
General revenues:				
Property taxes	6,288,708	-	6,288,708	81,131
Income taxes	13,228,923	-	13,228,923	-
Grants and contributions not restricted to specific programs	10,497,715	-	10,497,715	-
Unrestricted investment earnings	420,938	145,429	566,367	39,508
Miscellaneous	123,711	-	123,711	-
Increase in investment in Saginaw-Midland Water Supply Corporation	-	327,504	327,504	-
Gain on disposal of capital assets	99,344	-	99,344	-
Transfers	<u>31,262</u>	<u>(31,262)</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers	<u>30,690,601</u>	<u>441,671</u>	<u>31,132,272</u>	<u>120,639</u>
Change in net assets	2,015,810	5,067,934	7,083,744	(49,828)
Net assets, beginning of year, as restated	<u>40,478,112</u>	<u>88,097,832</u>	<u>128,575,944</u>	<u>3,591,891</u>
NET ASSETS, END OF YEAR	<u><u>\$ 42,493,922</u></u>	<u><u>\$ 93,165,766</u></u>	<u><u>\$ 135,659,688</u></u>	<u><u>\$ 3,542,063</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005

	General	Major Streets	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents - Note C	\$ 469,886	\$ 127,635	\$ 790,639	\$ 1,125,699	\$ 2,513,859
Income taxes receivable	1,679,869	-	-	-	1,679,869
Accounts receivable, net of allowances	1,740,934	26,570	108,340	205,748	2,081,592
Accrued interest receivable	9,726	-	-	-	9,726
Due from other governmental units	3,336,993	906,931	1,900,682	526,195	6,670,801
Inventories	-	375,373	-	-	375,373
Property taxes receivable - Note P	129,192	-	-	63,468	192,660
Assessments receivable	101,875	-	-	510,408	612,283
Investments - Note C	1,717,450	-	-	-	1,717,450
Due from other funds - Note N	22,242	322	-	2,861	25,425
Notes and contracts receivable					
Housing and other	-	-	1,872,764	-	1,872,764
Restricted assets					
Cash and cash equivalents - Note C	200,000	-	83,616	536,592	820,208
Investments - Note C	-	-	-	2,332,605	2,332,605
Advance to other funds - Note N	44,704	-	-	-	44,704
TOTAL ASSETS	\$ 9,452,871	\$ 1,436,831	\$ 4,756,041	\$ 5,303,576	\$ 20,949,319

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005

	General	Major Streets	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
<u>LIABILITIES AND FUND EQUITIES</u>					
Liabilities					
Accounts payable	\$ 472,938	\$ 35,873	\$ 203,420	\$ 577,801	\$ 1,290,032
Accrued wages payable	563,849	30,768	11,519	40,640	646,776
Due to other governmental units	74,734	4,777	97,995	20,228	197,734
Due to other funds - Note N	1,224,002	-	1,611,701	494,862	3,330,565
Deposits	589,631	-	-	290	589,921
Deferred revenue - Note D	1,549,456	-	2,786,702	295,495	4,631,653
Long-term advances due to other funds - Note N	-	-	44,704	-	44,704
Total Liabilities	4,474,610	71,418	4,756,041	1,429,316	10,731,385
<u>Fund Equities</u>					
Fund balances					
Reserved for:					
Encumbrances	36,081	6,755	-	16,124	58,960
Inventories	-	375,373	-	-	375,373
Long-term advances to other funds	44,704	-	-	-	44,704
Trusts and endowments	-	-	-	2,384,244	2,384,244
Debt service	-	-	-	39,241	39,241
Specific projects	-	-	-	964,717	964,717
Unreserved:					
Designated for:					
Self Insurance Fund	266,595	-	-	-	266,595
Workers' Compensation Fund	790,932	-	-	-	790,932
Parking Fund	409,238	-	-	-	409,238
Budget stabilization	209,726	-	-	-	209,726
Designated, reported in:					
Capital projects	-	-	-	25,892	25,892
Undesignated, reported in:					
General Fund	3,220,985	-	-	-	3,220,985
Special Revenue Funds	-	983,285	-	338,613	1,321,898
Permanent Fund	-	-	-	105,429	105,429
Total Fund Balances	4,978,261	1,365,413	-	3,874,260	10,217,934
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 9,452,871</u>	<u>\$ 1,436,831</u>	<u>\$ 4,756,041</u>	<u>\$ 5,303,576</u>	<u>\$ 20,949,319</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES ON
THE STATEMENT OF NET ASSETS
June 30, 2005

Fund balances - total governmental funds	\$ 10,217,934
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,564,920
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	48,660,257
Deduct - accumulated depreciation	(15,413,862)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - installment contracts and loans payable	(2,737,168)
Deduct - accumulated compensated absences	(5,353,833)
Deduct - accrued interest payable	(42,776)

Elimination of Internal Service Fund activities	<u>3,598,450</u>
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Net assets of governmental activities	<u><u>\$ 42,493,922</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	General	Major Streets	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues					
General operating property taxes	\$ 3,657,758	\$ -	\$ -	\$ 2,011,508	\$ 5,669,266
Special assessments	93,334	-	-	-	93,334
City income tax	13,228,923	-	-	-	13,228,923
State shared revenues	10,497,715	4,159,688	-	1,061,083	15,718,486
Licenses, permits and fees	1,329,804	-	28,149	1,649,705	3,007,658
Fines, penalties and forfeitures	410,552	-	-	31,443	441,995
Grants, donations and contributions	2,011,394	333,941	3,057,329	761,927	6,164,591
Interest on loans and investments	256,756	96	80,435	23,827	361,114
Sale of materials and services	1,057,108	15,115	48,460	54,703	1,175,386
Loan repayments	-	-	68,758	-	68,758
Total Revenues	32,543,344	4,508,840	3,283,131	5,594,196	45,929,511
Expenditures					
Current expenditures					
General government	3,702,025	-	-	-	3,702,025
Administration	2,045,421	-	715,127	-	2,760,548
Public safety	22,116,629	-	-	628,465	22,745,094
Highways and streets	-	4,114,892	-	1,165,975	5,280,867
General services	2,858,392	-	-	3,194,465	6,052,857
Community services	1,074,485	-	-	213,039	1,287,524
Economic development	-	-	1,012,109	438,078	1,450,187
Capital outlay	-	52,433	799,473	14,128	866,034
Debt service					
Principal	296,049	-	455,000	14,301	765,350
Interest	20,786	-	104,961	2,492	128,239
Total Expenditures	32,113,787	4,167,325	3,086,670	5,670,943	45,038,725
Revenues over (under) expenditures	429,557	341,515	196,461	(76,747)	890,786
Other financing sources (uses)					
Section 108 loan proceeds	-	-	64,918	-	64,918
Transfers in	319,732	566,129	-	570,653	1,456,514
Transfers out	(837,474)	(139,980)	(261,379)	(206,280)	(1,445,113)
Total Other Financing Sources (Uses)	(517,742)	426,149	(196,461)	364,373	76,319
Net change in fund balances	(88,185)	767,664	-	287,626	967,105
Fund balances at beginning of year, as restated	5,066,446	597,749	-	3,586,634	9,250,829
FUND BALANCES AT END OF YEAR	\$ 4,978,261	\$ 1,365,413	\$ -	\$ 3,874,260	\$ 10,217,934

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	\$ 967,105
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Amounts reported for *governmental activities* in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(859,569)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital additions	2,303,325
Deduct - net value of capital assets sold	(37,274)
Deduct - depreciation expense	(1,558,433)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	765,350
Deduct - increase in accrued compensated absences	(155,929)
Add - decrease in accrued interest payable	15,022

Elimination of Internal Service Fund activities	<u>576,213</u>
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Change in net assets of governmental activities	<u><u>\$ 2,015,810</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
General operating property taxes	\$ 3,778,153	\$ 3,778,153	\$ 3,657,758	\$ (120,395)
Special assessments	65,000	65,000	93,334	28,334
City income tax	13,500,000	12,700,000	13,228,923	528,923
State shared revenues	10,405,104	10,605,385	10,497,715	(107,670)
Licenses, permits and fees	1,164,910	1,174,910	1,329,804	154,894
Fines, penalties and forfeitures	308,530	308,530	410,552	102,022
Grants, donations and contributions	1,974,182	1,974,182	2,011,394	37,212
Interest on loans and investments	192,500	202,500	256,756	54,256
Rents and privileges	81,600	81,600	-	(81,600)
Sale of materials and services	687,300	899,314	1,057,108	157,794
Total Revenues	<u>32,157,279</u>	<u>31,789,574</u>	<u>32,543,344</u>	<u>753,770</u>
Expenditures				
Current expenditures				
General government	3,553,119	3,618,436	3,702,025	83,589
Administration	2,055,751	2,290,359	2,045,421	(244,938)
Public safety - Note G	21,792,305	23,424,183	22,116,629	(1,307,554)
General services	2,784,010	2,826,993	2,858,392	31,399
Community services	1,152,796	1,217,432	1,074,485	(142,947)
Debt Service				
Principal - Note G	296,050	296,050	296,049	(1)
Interest - Note G	20,786	20,786	20,786	-
Total Expenditures	<u>31,654,817</u>	<u>33,694,239</u>	<u>32,113,787</u>	<u>(1,580,452)</u>
Revenues over (under) expenditures	<u>502,462</u>	<u>(1,904,665)</u>	<u>429,557</u>	<u>2,334,222</u>
Other financing sources (uses)				
Transfers in	-	-	319,732	319,732
Transfers out	(938,513)	(1,045,335)	(837,474)	207,861
Total Other Financing Sources (Uses)	<u>(938,513)</u>	<u>(1,045,335)</u>	<u>(517,742)</u>	<u>527,593</u>
Net change in fund balances	<u>\$ (436,051)</u>	<u>\$ (2,950,000)</u>	<u>(88,185)</u>	<u>\$ 2,861,815</u>
Fund balance at beginning of year, as restated			<u>5,066,446</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 4,978,261</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
MAJOR STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
State of Michigan gas and weight taxes	\$ 3,700,000	\$ 3,700,000	\$ 3,792,842	\$ 92,842
Trunkline maintenance	200,000	200,000	366,846	166,846
Grants and entitlements	175,000	175,000	333,941	158,941
Interest on deposits and investments	-	-	96	96
Sale of materials and services	-	-	15,115	15,115
Total Revenues	<u>4,075,000</u>	<u>4,075,000</u>	<u>4,508,840</u>	<u>433,840</u>
Expenditures				
Current expenditures				
Routine maintenance of roads and streets	932,745	1,228,922	2,048,869	819,947
Routine maintenance of bridges	177,098	172,294	105,866	(66,428)
Winter maintenance of roads and streets	445,517	382,911	450,809	67,898
Traffic services maintenance	866,774	894,080	600,723	(293,357)
State trunkline maintenance	167,713	169,367	221,850	52,483
Administration	787,858	808,869	686,775	(122,094)
Capital outlay				
Construction and resurfacing of streets	-	5,000	44,896	39,896
Bridge reconstruction	10,000	10,000	7,537	(2,463)
Total Expenditures	<u>3,387,705</u>	<u>3,671,443</u>	<u>4,167,325</u>	<u>495,882</u>
Revenues over (under) expenditures	<u>687,295</u>	<u>403,557</u>	<u>341,515</u>	<u>(62,042)</u>
Other financing sources (uses)				
Transfers in	-	-	566,129	566,129
Transfers out	(284,310)	(284,310)	(139,980)	(144,330)
Total transfers	<u>(284,310)</u>	<u>(284,310)</u>	<u>426,149</u>	<u>710,459</u>
Net change in fund balances	<u>\$ 402,985</u>	<u>\$ 119,247</u>	<u>767,664</u>	<u>\$ 648,417</u>
Fund balance at beginning of year			<u>597,749</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 1,365,413</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
Fees	\$ 188,997	\$ 188,997	\$ 28,149	\$ (160,848)
Grants and entitlements	3,973,682	3,973,682	3,057,329	(916,353)
Interest on deposits and investments	-	-	14,748	14,748
Interest on loans	84,000	84,000	65,687	(18,313)
Sale of materials and services	-	-	48,460	48,460
Loan repayments	320,000	320,000	68,758	(251,242)
Total Revenues	4,566,679	4,566,679	3,283,131	(1,283,548)
Expenditures				
Current expenditures				
Administration	895,956	895,956	715,127	(180,829)
Program support services	1,362,317	1,387,317	885,804	(501,513)
Loan disbursements	282,106	257,106	17,427	(239,679)
Grant expenditures	505,995	505,995	108,878	(397,117)
Capital outlay				
Section 108 loan disbursements	-	-	79,248	79,248
Public improvements	706,489	706,489	720,225	13,736
Debt service				
Principal	455,000	455,000	455,000	-
Interest	104,961	104,961	104,961	-
Total Expenditures	4,312,824	4,312,824	3,086,670	(1,226,154)
Revenues over (under) expenditures	253,855	253,855	196,461	(57,394)
Other financing sources (uses)				
Section 108 loan proceeds	-	-	64,918	64,918
Transfers in	150,000	150,000	-	(150,000)
Transfers out	(403,855)	(403,855)	(261,379)	(142,476)
Total Other Financing Sources (Uses)	(253,855)	(253,855)	(196,461)	57,394
Net change in fund balances	\$ -	\$ -	-	\$ -
Fund balance at beginning of year, as restated			-	
FUND BALANCE AT END OF YEAR			\$ -	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,616,319	\$ 700	\$ 86,841	\$ 1,703,860	\$ 1,283,263
Accounts receivable, net of allowances	1,464,396	5,727,496	215,563	7,407,455	17,551
Accrued interest receivable	230	-	-	230	20,656
Inventories	546,468	-	-	546,468	213,673
Prepaid expenses	-	-	-	-	81,658
Investments	2,720,420	995,818	1,092	3,717,330	2,143,182
Assessments receivable	-	62,976	-	62,976	-
Due from other funds	495	1,844,764	49	1,845,308	2,076,956
Restricted current assets					
Cash and cash equivalents	4,065,390	283,537	-	4,348,927	-
Cash - bond proceeds	494,675	22,880	-	517,555	-
Total Current Assets	10,908,393	8,938,171	303,545	20,150,109	5,836,939
Noncurrent Assets					
Investment in Saginaw-Midland Water Supply Corporation	8,434,540	-	-	8,434,540	-
Unamortized bond discount	26,752	-	-	26,752	-
Net Noncurrent Assets	8,461,292	-	-	8,461,292	-
Capital assets					
Land	427,261	982,374	201,203	1,610,838	-
Buildings and improvements	61,691,128	58,976,777	11,669,459	132,337,364	189,146
Combined sewer overflow facilities	-	103,188,901	-	103,188,901	-
Plant and office equipment	3,070,289	3,654,655	647,409	7,372,353	664,539
Vehicular and radio equipment	-	-	-	-	6,822,138
Construction in progress	465,235	-	-	465,235	-
Less allowances for depreciation	(35,161,733)	(74,962,426)	(11,037,038)	(121,161,197)	(5,988,850)
Net Capital Assets	30,492,180	91,840,281	1,481,033	123,813,494	1,686,973
TOTAL ASSETS	\$ 49,861,865	\$ 100,778,452	\$ 1,784,578	\$ 152,424,895	\$ 7,523,912

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
<u>LIABILITIES AND NET ASSETS</u>					
Current liabilities payable					
from current assets					
Accounts payable	\$ 307,344	\$ 311,934	\$ 4,588	\$ 623,866	\$ 65,907
Accrued wages payable	73,857	120,927	2,296	197,080	38,353
Accrued interest	-	-	-	-	457
Due to other governmental units	34,345	17,941	-	52,286	1,706
Due to other funds	-	-	608,422	608,422	8,702
Current portion of accrued sick and vacation/PTO payable	197,679	302,815	-	500,494	-
Current portion of long-term debt	-	25,000	-	25,000	116,101
Total Current Liabilities Payable From Current Assets	613,225	778,617	615,306	2,007,148	231,226
Payable from restricted assets					
Accounts payable	3,244	102,818	-	106,062	-
Customer deposits	791,586	-	-	791,586	-
Accrued interest	-	286,112	-	286,112	-
Current portion of long-term debt	1,420,000	4,560,684	-	5,980,684	-
Total Current Liabilities Payable From Restricted Assets	2,214,830	4,949,614	-	7,164,444	-
Total Current Liabilities	2,828,055	5,728,231	615,306	9,171,592	231,226
Long-term liabilities					
Workers' comp claims payable	-	-	-	-	2,390,339
Insurance claims payable	-	-	-	-	603,651
Accrued sick and vacation/PTO payable	336,803	226,118	10,169	573,090	250,136
Long-term debt, exclusive of current portion					
Revenue bonds	2,762,585	-	-	2,762,585	-
CSO construction projects	-	45,906,972	-	45,906,972	-
General obligation bonds and contracts	-	1,075,000	-	1,075,000	220,000
Total Long-term liabilities, exclusive of current portion	3,099,388	47,208,090	10,169	50,317,647	3,464,126
Total Liabilities	5,927,443	52,936,321	625,475	59,489,239	3,695,352
Net Assets					
Investment in capital assets, net of related debt	26,309,595	40,272,625	1,481,033	68,063,253	1,635,872
Restricted for:					
Sick and vacation	-	-	-	-	679,439
Health insurance premiums	-	-	-	-	1,224,943
Bond and interest redemption	1,639,223	-	-	1,639,223	-
Operation and maintenance	648,767	-	-	648,767	-
Repairs and replacements	1,681,203	-	-	1,681,203	-
Surplus fund	4,527,639	-	-	4,527,639	-
Bond construction projects	494,674	-	-	494,674	-
Unrestricted (deficit)	8,633,321	7,569,506	(321,930)	15,880,897	288,306
Total Net Assets	43,934,422	47,842,131	1,159,103	92,935,656	3,828,560
TOTAL LIABILITIES AND NET ASSETS	\$ 49,861,865	\$ 100,778,452	\$ 1,784,578	\$ 152,424,895	\$ 7,523,912

The accompanying notes are an integral part of these financial statements.

**CITY OF SAGINAW
RECONCILIATION OF NET ASSETS ON THE
STATEMENT OF NET ASSETS FOR ENTERPRISE
FUNDS TO NET ASSETS OF BUSINESS-TYPE
ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2005**

Net assets - total enterprise funds	\$	92,935,656
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Amounts reported for *business-type activities* in the statement of net assets are different because:

Elimination of Internal Service Fund activities		<u>230,110</u>
Net assets of business-type activities	\$	<u><u>93,165,766</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
User charges	\$ 12,628,597	\$ 17,084,883	\$ 504,473	\$ 30,217,953	\$ 7,698,082
Sale of materials and services	272,169	78,740	-	350,909	14,652
Penalties for delinquencies	133,860	469,922	-	603,782	-
Total Operating Revenues	13,034,626	17,633,545	504,473	31,172,644	7,712,734
Operating expenses					
Costs of goods sold	-	-	-	-	132,948
Salaries	-	-	69,529	69,529	1,197,868
Employee benefits	-	-	86,819	86,819	793,531
Contractual services	-	-	34,641	34,641	1,060,681
Internal user charges	-	-	33,549	33,549	416,085
Insurance	-	-	19,229	19,229	1,498,844
Utilities	-	-	47,445	47,445	169,386
Supplies and materials	-	-	12,946	12,946	338,858
Administration	1,339,218	1,555,427	-	2,894,645	-
Customer accounting	194,351	184,818	-	379,169	-
Meter maintenance and service	381,592	386,526	-	768,118	-
System maintenance and service	1,482,905	1,694,131	-	3,177,036	-
Treatment, disposal and pumping	3,349,928	4,596,583	-	7,946,511	-
Remote facilities	-	760,763	-	760,763	-
Raw water operations	1,037,208	-	-	1,037,208	-
Claims and judgements	-	-	-	-	852,349
Depreciation	1,162,719	5,210,108	360,340	6,733,167	554,136
Other	-	-	8,064	8,064	40,446
Total Operating Expenses	8,947,921	14,388,356	672,562	24,008,839	7,055,132
Operating Income (Loss)	4,086,705	3,245,189	(168,089)	7,163,805	657,602
Nonoperating revenues (expenses)					
Interest on investments	135,167	21,007	1,450	157,624	94,883
Interest expense on bonded indebtedness	(288,643)	(1,176,425)	-	(1,465,068)	(39,364)
Amortization on bond discount	(8,917)	-	-	(8,917)	-
Amortization of gain on bond refunding	27,533	-	-	27,533	-
Gain (loss) on sale of investments	(30,513)	18,318	-	(12,195)	34,248
Gain (loss) on disposal of capital assets	-	-	-	-	(4,903)
Contractual obligations to Saginaw-Midland Water Supply Corporation	(1,277,204)	-	-	(1,277,204)	-
Increase in Investment in Saginaw-Midland Water Supply Corporation	327,504	-	-	327,504	-
Total Nonoperating Revenues (Expenses)	(1,115,073)	(1,137,100)	1,450	(2,250,723)	84,864
Net Income (Loss) Before Transfers	2,971,632	2,108,089	(166,639)	4,913,082	742,466
Transfers					
Transfers in	24,942	-	-	24,942	378,550
Transfers out	(24,022)	(30,216)	(1,966)	(56,204)	(358,689)
Net Transfers	920	(30,216)	(1,966)	(31,262)	19,861
Change in Net Assets	2,972,552	2,077,873	(168,605)	4,881,820	762,327
Net assets at beginning of year, as restated	40,961,870	45,764,258	1,327,708	88,053,836	3,066,233
NET ASSETS AT END OF YEAR	\$ 43,934,422	\$ 47,842,131	\$ 1,159,103	\$ 92,935,656	\$ 3,828,560

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS OF
ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

Net change in fund net assets - total enterprise funds	\$ 4,881,820
Elimination of Internal Service Fund activities	<u>186,114</u>
Change in net assets of business-type activities	<u><u>\$ 5,067,934</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 1,191,543	\$ -	\$ -	\$ 1,191,543	\$ 7,476,840
Receipts from customers	12,905,054	14,421,662	383,711	27,710,427	-
Payments to suppliers	(4,138,039)	(3,580,977)	(125,919)	(7,844,935)	(4,189,654)
Payments to employees	(5,682,739)	(5,548,782)	(154,867)	(11,386,388)	(1,970,433)
Payments for interfund services used	-	(1,362,573)	(100,334)	(1,462,907)	(462,269)
Net Cash Provided By (Used For) Operating Activities	4,275,819	3,929,330	2,591	8,207,740	854,484
Cash flows from noncapital financing activities:					
Transfers in	24,942	-	-	24,942	378,550
Transfers out	(24,022)	(30,216)	(1,966)	(56,204)	(358,689)
Net Cash Provided By (Used For) Noncapital Financing Activities	920	(30,216)	(1,966)	(31,262)	19,861
Cash flows from capital and related financing activities:					
Purchases of capital assets	(211,320)	(753,433)	-	(964,753)	(269,819)
Proceeds from sale of equipment	-	-	-	-	47,522
Bond proceeds	-	364,453	-	364,453	-
Principal paid on long-term debt	(1,335,000)	(4,511,834)	-	(5,846,834)	(318,665)
Interest paid on long-term debt	(288,643)	(1,198,167)	-	(1,486,810)	(36,326)
Contractual obligations to Saginaw-Midland Supply Corporation	(1,277,204)	-	-	(1,277,204)	-
Net Cash (Used For) Capital and Related Financing Activities	(3,112,167)	(6,098,981)	-	(9,211,148)	(577,288)
Cash flows from investing activities:					
Purchase of investment securities	(2,720,420)	(995,818)	(1,070)	(3,717,308)	(660,340)
Proceeds from sale and maturities of investment securities	585,065	2,540,230	-	3,125,295	356,459
Interest on investments	104,424	39,325	1,450	145,199	98,782
Net Cash Provided By (Used For) Investing Activities	(2,030,931)	1,583,737	380	(446,814)	(205,099)
Increase (Decrease) in cash and cash equivalents	(866,359)	(616,130)	1,005	(1,481,484)	91,958
Cash and cash equivalents at beginning of year	7,042,743	923,247	85,836	8,051,826	1,191,305
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,176,384	\$ 307,117	\$ 86,841	\$ 6,570,342	\$ 1,283,263
Cash flows from operating activities:					
Operating income (loss)	\$ 4,086,705	\$ 3,245,189	\$ (168,089)	\$ 7,163,805	\$ 657,602
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	1,162,719	5,210,108	360,340	6,733,167	554,136
Change in assets and liabilities:					
Accounts receivable	(124,713)	(3,207,855)	(120,762)	(3,453,330)	2,353
Due from other governmental units	-	-	-	-	(238,247)
Inventories	(1,346)	-	-	(1,346)	48,948
Prepaid expenses	-	-	-	-	-
Assessments receivable	-	(4,028)	-	(4,028)	(5,026)
Due from other funds	1,191,543	(1,362,573)	(49)	(171,079)	-
Accounts payable	(92,286)	32,975	(3,594)	(62,905)	(152,798)
Accrued wages payable	(2,078,002)	(62,552)	(2,645)	(2,143,199)	(26,533)
Due to other governments	31,625	11,762	-	43,387	1,162
Due to other funds	-	-	(66,736)	(66,736)	(46,184)
Unearned revenue	(27,122)	-	-	(27,122)	-
Customer deposits	22,263	-	-	22,263	-
Claims payable	-	-	-	-	12,734
Accrued sick and vacation/PTO payable	104,433	66,304	4,126	174,863	46,337
Net Cash Provided By (Used For) Operating Activities	\$ 4,275,819	\$ 3,929,330	\$ 2,591	\$ 8,207,740	\$ 854,484

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

	Policemen and Firemen Pension	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 1,098,193
Accounts receivable	-	289,834
Prepaid Insurance	-	902,395
Taxes receivable for the account of other governmental units	-	1,052,748
 Restricted assets		
Cash and cash equivalents	1,614,257	-
Accrued interest receivable	425,591	-
Investments	123,402,615	-
 Total Assets	<u>125,442,463</u>	<u>\$ 3,343,170</u>
 <u>LIABILITIES</u>		
Accounts payable	3,168,130	1,112,440
Accrued wages payable	334,370	-
Due to other governmental units	-	2,169,776
Other current liabilities	-	60,954
 Total Liabilities	<u>3,502,500</u>	<u>\$ 3,343,170</u>
 Net Assets		
Held in trust for pension benefits	<u>\$ 121,939,963</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
POLICEMEN AND FIREMEN PENSION FUND
For the Year Ended June 30, 2005

Additions

Contributions:

Employer	\$ 3,369,291
Plan members	<u>1,208,285</u>
Total contributions	<u>4,577,576</u>

Investment income (loss):

Interest	2,340,780
Dividends	3,429,949
Net appreciation in fair value of investments	2,647,980
Investment expenses	<u>(416,443)</u>
Total investment income	<u>8,002,266</u>

Total Additions	<u>12,579,842</u>
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Deductions

Police pension benefits	6,175,826
Fire pension benefits	4,939,175
Administrative expenses	121,489
Refunds of member contributions	<u>24,131</u>
Total Deductions	<u>11,260,621</u>

Net increase for the year	1,319,221
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Net Assets Held in Trust for Pension Benefits

Beginning of year	<u>120,620,742</u>
End of year	<u><u>\$ 121,939,963</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SAGINAW
 COMPONENT UNITS
 STATEMENT OF NET ASSETS
 June 30, 2005**

	<u>TIFA Activities</u>	<u>DDA Activities</u>	<u>LDFA Activities</u>	<u>Brownfield Activities</u>	<u>Total</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 30,756	\$ 125,831	\$ 3,159,887	\$ 45,582	\$ 3,362,056
Receivables	<u>563</u>	<u>104,086</u>	<u>77,280</u>	<u>23,510</u>	<u>205,439</u>
TOTAL ASSETS	31,319	229,917	3,237,167	69,092	3,567,495
<u>LIABILITIES</u>					
Accounts payable	<u>-</u>	<u>5,108</u>	<u>20,324</u>	<u>-</u>	<u>25,432</u>
<u>NET ASSETS</u>					
Restricted for:					
Other purposes	<u>31,319</u>	<u>224,809</u>	<u>3,216,843</u>	<u>69,092</u>	<u>3,542,063</u>
TOTAL NET ASSETS	<u>\$ 31,319</u>	<u>\$ 224,809</u>	<u>\$ 3,216,843</u>	<u>\$ 69,092</u>	<u>\$ 3,542,063</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
COMPONENT UNITS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
TIFA Activities	\$ -	\$ -	\$ -	\$ -
DDA Activities	109,259	11,695	-	(97,564)
LDFA Activities	67,890	-	-	(67,890)
Brownfield Activities	28,461	-	23,448	(5,013)
Total component unit activities	<u>\$ 205,610</u>	<u>\$ 11,695</u>	<u>\$ 23,448</u>	<u>\$ (170,467)</u>

	<u>Component Units</u>				
	<u>TIFA Activities</u>	<u>DDA Activities</u>	<u>LDFA Activities</u>	<u>Brownfield Activities</u>	<u>Total</u>
Changes in net assets					
Net (expense) revenue	<u>\$ -</u>	<u>\$ (97,564)</u>	<u>\$ (67,890)</u>	<u>\$ (5,013)</u>	<u>\$ (170,467)</u>
General revenues:					
Property taxes	-	47,901	15,595	17,635	81,131
Unrestricted investment earnings	-	4,537	34,971	-	39,508
Total general revenues	-	52,438	50,566	17,635	120,639
Change in net assets	-	(45,126)	(17,324)	12,622	(49,828)
Net assets, beginning of year	<u>31,319</u>	<u>269,935</u>	<u>3,234,167</u>	<u>56,470</u>	<u>3,591,891</u>
NET ASSETS, END OF YEAR	<u>\$ 31,319</u>	<u>\$ 224,809</u>	<u>\$ 3,216,843</u>	<u>\$ 69,092</u>	<u>\$ 3,542,063</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A - REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Saginaw, Michigan (the primary government) and its component units. The component units discussed below are included in the City's reporting entity as they are entities for which the government is considered to be financially accountable.

Discrete Component Units

The component units columns in the government-wide financial statements include the financial data of the City's thirteen component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

Tax Increment Finance Authority (TIFA) - Two component units - City Council established TIFA districts pursuant to Act 450 of the public Acts of 1980 for the Saginaw Division Tower and Morley Building projects. Property tax revenues received from the "captured" portion of these properties are restricted to pay project expenditures or set aside for future development within the districts depending on the development plan adopted for each project. The members of the governing board of the TIFA are appointed by City Council and development agreements of the TIFA districts are also approved by City Council. The City has the ability to significantly influence the operations of the TIFA. Complete financial statements of the TIFA can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Downtown Development Authority (DDA) - Three component units - The members of the governing board of the DDA are appointed by City Council and development agreements of the DDA districts are also approved by City Council. Districts were established for the Commerce Center, Sils Island and the DDA. The City has the ability to significantly influence the operations of the DDA. Complete financial statements of the DDA can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Saginaw Economic Development Corporation (SEDC) - One component unit – The members of the governing board of the SEDC are appointed by City Council and they review and approve loans to businesses located within the City limits. The City has the ability to significantly influence the operations of the SEDC. The financial statements of the SEDC were not available for inclusion in the June 30, 2005 financial statements.

Local Development Finance Authority (LDFA) - Six component units - When legislation expired for TIFA projects (above), City Council established LDFA districts pursuant to Act 281 of the Public Acts of 1986 for the following economic development projects: Thomson Saginaw Ball Screw Company, Sexton, Baker Perkins, Treasure Island, Saginaw Machine Systems and Saginaw Tool and Die. Property tax revenues received from the "captured" portion of these properties are restricted to pay project expenditures or set aside for future development within the districts depending on the development plan adopted for each project. The members of the governing board of the LDFA are appointed by City Council and development agreements of the LDFA districts are also approved by City Council. The City has the ability to significantly influence the operations of the LDFA. Complete financial statements of the LDFA can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Brownfield Redevelopment Authority SRRF - One component unit - Property tax revenues received from the "captured" portion of these properties are restricted to pay site clean up expenditures and future development depending on the development plan adopted for each project. The members of the governing board of the Authority are appointed by City Council and they review and approve development plans for businesses relocating within designated areas of the City where property was once contaminated. The City has the ability to significantly influence the operations of the Brownfield Redevelopment Authority. Complete financial statements of the Authority can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Joint Venture - Saginaw-Midland Municipal Water Supply Corporation

The City of Saginaw purchases raw water from the Saginaw-Midland Municipal Water Supply Corporation. This corporation brings water from Lake Huron, beginning at Whitestone Point, through a joint supply line, to Junction Station, at which point it is pumped through separate lines to Midland and Saginaw. The joint line is operated and maintained by the Corporation, which is an inter-governmental body composed of six members. Three members each are appointed by the Saginaw and Midland City Councils. The City of Saginaw owns 23/43rds of the Saginaw-Midland Municipal Water Supply Corporation and the City of Midland owns 20/43rds.

This joint venture is accounted for in the Water Fund using the equity method. The City reported an increase in equity of \$327,504 as nonoperating revenues. At June 30, 2005, total outstanding bonded debt of the Saginaw-Midland Municipal Water Supply Corporation was \$21,844,906. The City was obligated for \$11,684,484 of this total. During fiscal year 2005, the City paid the Corporation \$1,277,204 to finance its share of the contractual obligations. The City's equity of \$8,434,540 in the Saginaw-Midland Municipal Water Supply Corporation is recorded as an Investment within the Noncurrent Assets section on the statement of net assets of the Water Fund.

The financial information for the year ended June 30, 2005 for the Saginaw-Midland Municipal Water Supply Corporation follows:

Total Assets	\$ 38,000,415	Total Revenues	\$ 4,765,601
Total Liabilities	22,231,493	Total Expenses	4,153,312
Net Assets	\$ 15,768,922	Net Income	612,289
Net Assets:			
City of Saginaw	\$ 8,434,540	Net Assets at	
City of Midland	7,334,382	Beginning of Year	15,156,633
Total Net Assets	\$ 15,768,922	Total Net Assets	\$ 15,768,922

Complete financial statements can be obtained at the Saginaw-Midland Municipal Water Supply Corporation, 4678 Three Mile Road, Bay City, Michigan, 48706.

NOTE B - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period and one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major street fund* accounts for the grant revenues and the related operation and maintenance of the major street system.

The *community development fund* accounts for the grant revenues and related community development projects under the grants.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

Additionally, the City reports the following fund types:

Internal service funds account for fringe benefit and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

Policemen and firemen pension trust fund is used to account for assets accumulated for and the payments of employee retirement expense.

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Significant Accounting Policies

Budgets and Budgetary Accounting - The City Charter requires the City Council, by resolution, to determine and adopt the budget and make the appropriations for the next fiscal year and to provide, by resolution, for a tax levy of the amount necessary to be raised by taxation at least 30 days prior to the first day of the upcoming fiscal year. Budgetary control is exercised at the department (appropriation center) level in the General Fund and at the fund level for all other budgeted funds. General Fund line item budget transfers from one account to another within the same appropriation center can be made without City Council approval. All budget transfers from one appropriation center to another or from the General Fund Contingent Appropriation account must be approved by City Council. In all other funds, line item budget transfers from one account to another within the same department and fund can be made without City Council approval.

All unencumbered appropriations lapse at the end of the fiscal year unless specific requests to reserve funds for capital items are made by the departments and approved by the City Controller. The subsequent fiscal year's budget is then amended when these expenditures are recorded. Encumbrances outstanding at June 30, 2005 do not lapse but are brought forward to the new fiscal year.

The General Fund, Community Development, Major Streets, Local Streets, Rubbish Collection, Police Grants, Drug Forfeiture, Andersen Center Operation, Boat Launch Operation and Economic Development Special Revenue Funds are under formal budgetary control as is required by Michigan Public Act 621. Budgets shown in the financial statements were prepared on the modified accrual basis. This is the same basis used to reflect actual results and consists only of those amounts contained in the formal budget approved by City Council. Special Revenue Funds are considered to be departments for budgetary purposes. All Enterprise and Internal Service Funds are budgeted annually for internal control purposes only. Budgetary information for these funds is not required in the financial statements. Budgetary control for the Capital Projects Fund is on a project basis.

because most exceed one fiscal year. Any funds not expended during the current fiscal year are carried forward until spent or reallocated. City Council does not formally adopt budgets for the Municipal Streets, Marina Grant, and Urban Development Action Grant Special Revenue Funds or the Trust and Agency Funds.

Cash and Cash Equivalents - Cash and cash equivalents for all funds includes amounts in demand deposits, petty cash and certain investments which are payable upon the demand of the City and have an original maturity of three months or less. Cash balances in most of the City's operating funds are pooled and invested in various investments throughout the year. Each fund's cash balance is reported in a separate cash account and the City allocates interest earnings based on the average cash balance in each fund during the year. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments held by trustees with a maturity of three months or less when purchased to be cash equivalents. In addition, all cash and investments with the City Treasurer are also considered to be cash equivalents since they are available on demand.

Investments – All investments are stated at fair value. It is the general intent of the City to hold investments to maturity. In the Policemen and Firemen Pension Fund, investments are traded when the opportunity to increase the overall yield of the investment portfolio arises.

Employee Sick Leave, Vacation/PTO and Compensatory Time - The liability for unused sick and vacation/PTO hours as earned by employees at various rates has been recorded as long-term liabilities in the governmental and business-type activities. AFSCME, SEIU and non-union management employees are paid for all of their accumulated PTO days, up to a maximum of 1312 hours, upon death, termination or retirement. Fire fighters are paid for all of their accumulated PTO days, up to a maximum of 2148 hours, upon death, termination or retirement. POAM union employees are paid for one-half of their accumulated unused sick days upon death or retirement up to a maximum of 1,312 hours in addition to their unused vacation hours. Certain employee groups are allowed to accumulate overtime hours and later use these accumulated hours as time off in lieu of a cash payment.

Encumbrances - Encumbrances are commitments under purchase orders or contracts. Outstanding encumbrances at year-end are not recorded as expenditures until the goods or services are received. Only those encumbrances that are recorded as payables at June 30 are included as expenditures for budgetary presentations. Fund balance has been reserved for all outstanding encumbrances in the governmental fund types and will be recorded as expenditures in the subsequent fiscal year.

Interfund Receivables and Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been received or paid as of June 30, 2005, the resulting interfund receivables and payables have been recorded (see Note N).

Inventories - Supplies inventories recorded in the various fund types are stated at cost. Inventories in the Special Revenue, Enterprise and Internal Service Funds consist of expendable materials and supplies held for consumption. The costs of the materials and supplies are recorded as expenditures/expenses at the time they are used. Until then, they are considered to be an asset. Physical inventories are taken at the end of each fiscal year and the asset account is adjusted accordingly. Inventories in the Enterprise and Internal Service Funds are valued on the average cost method. Inventories in the Special Revenue Funds are valued on the first-in, first-out method. The inventory balances in the Major Streets Special Revenue Funds are equally offset by a fund balance reserve, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

For the governmental activities, infrastructure includes only those infrastructure assets acquired subsequent to July 1, 2002.

Depreciation - It is computed using the straight-line method over the estimated useful lives of the related assets as follows: streets system infrastructure (7-50 years), buildings and improvements (50 years); combined sewer overflow facilities (25 years); wave pool complex (25 years); plant equipment (15 years); radio equipment (8 years); office and data processing equipment (5 years); and vehicles (5 years).

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reservations and Designations of Fund Equities - Reservations of fund balance are established to identify (1) claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, for example: encumbrances, prepaid items, inventories, specific projects and long-term advances to other funds. Such reserves are not intended as valuation allowances, but merely demonstrate the current unavailability of the subject assets to pay current expenditures. Designations of fund balance have been made for Capital Projects, Self Insurance Fund, Workers Compensation, Parking Fund and Budget Stabilization. These portions of fund balance are intended to be used for these purposes and are not available for appropriation or expenditure. Restrictions of net assets in the Enterprise Funds represent amounts that are required to be segregated in accordance with City ordinances. These portions of net assets are intended to be used for these purposes and are not available for appropriation or expense.

Restricted Assets - Restricted assets result from revenue bond ordinance reserve requirements and proceeds of bond issues stipulated for construction of capital assets. They also result from other legal or contractual requirements which restrict the use of resources.

NOTE C - DEPOSITS AND INVESTMENTS

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	\$ 5,500,982	\$ -	\$ 5,500,982
Investments	-	7,577,962	7,577,962
Restricted cash and cash equivalents	820,208	4,866,482	5,686,690
Restricted investments	-	2,332,605	2,332,605
Component Units:			
Cash and cash equivalents	-	3,362,056	3,362,056
Fiduciary Funds:			
Cash and cash equivalents	1,098,193	-	1,098,193
Restricted cash and cash equivalents	-	1,614,257	1,614,257
Investments	-	123,402,615	123,402,615
	<u>\$ 7,419,383</u>	<u>\$143,155,977</u>	<u>\$150,575,360</u>

Investments – The City’s investment policy is in compliance with Michigan Compiled Laws, Section 129.91. State statutes authorize the City to invest public funds in the following:

- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase A-1 or A-2 by Standard and Poor’s Corporation or P-1 or P-2 by Moody’s Commercial Paper Record and which matures not more than 270 days after the day of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.
- The Policemen and Firemen Retirement System is also authorized to invest a portion of its assets in stocks that are registered on a national securities exchange that have paid dividends for five of the last seven years and mutual funds of diversified investment companies having assets greater than \$100 million.

As of June 30, 2005, the credit quality rating of debt securities are as follows:

		Investment Maturities (In Years)					
		Less			More		
	<u>Fair Value</u>	<u>Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Than 10</u>	<u>S&P Rating</u>	
Primary Government							
Bank Inv. Pooled Funds	\$ 7,309,669					Not Rated	
Corporate Bonds	61,223					Not Rated	
Money Market Funds	5,068,298					Not Rated	
MI Class Pooled Funds	2,549,623					Not Rated	
Mutual Funds	2,151,322					Not Rated	
U.S. Govt. Agencies	<u>998,970</u>	\$	998,870			AAA	
Total Primary Government	<u>18,139,105</u>						
Police & Firemen Pension Fund							
Government Obligations	6,913,806		4,771,314	\$1,115,892	\$ 1,026,600	AAA	
Government Agencies	14,839,198	\$ 500,933	2,072,651	3,942,500	8,323,114	AAA	
Mortgage Backed Securities	1,952,469		18,616	29,828	1,904,025	AAA	
Corporate Bonds	19,276,571	178,700	1,832,746	3,104,627	14,160,498	AAA - BBB-	
Collateralized Mgt. Obligations	3,009,506			1,412,128	1,597,378	AAA	
Common Stocks	47,793,381					N/A	
Money Market	2,010,075					Not Rated	
Mutual Funds	<u>29,221,866</u>					Not Rated	
Total Police & Firemen Fund	<u>125,016,872</u>						
Total Investments	<u>\$143,155,977</u>						

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end \$10,899,357 of the City's bank balance of \$11,202,654 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the City's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the City's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy does not have specific limits in excess of state law on concentration of credit. All investments held at year end are reported above.

The City is required to conform to investment guidelines set forth by the State of Michigan. The State has determined that investments which have been held by the City for over twenty years, are in violation of State investment guidelines. These investments mature in the year ended June 30, 2006, at which time they will be disposed. In addition, the City purchased insurance policies on key City employees to be held as long-term investments. These investments are held in the Public Employee Healthcare Internal Service Fund; however they are not allowable investments of the fund.

NOTE D - RECEIVABLES

Receivables as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business Type Activities	Component Units
Income Taxes	\$ 1,679,869	\$ -	\$ -
Accounts	2,271,168	7,465,346	81,250
Accrued Interest	30,382	230	3,456
Intergovernmental	6,670,801	-	23,179
Property Taxes	192,660	-	97,554
Assessments			
Due within one year	566,162	62,976	-
Due after one year	46,121	-	-
Notes			
Due within one year	250,000	-	-
Due after one year	1,622,764	-	-
Reserve for uncollectible accounts	(172,025)	(57,891)	-
Total receivables	<u>\$ 13,157,902</u>	<u>\$ 7,470,661</u>	<u>\$ 205,439</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (General Fund)	\$ 126,013	\$ -
Property taxes receivable (Non-major Governmental fund types)	63,468	-
Accounts receivable (General Fund)	1,397,289	-
Accounts receivable (Community Development)	103,969	-
Assessments receivable (General Fund)	26,154	-
Assessments receivable (Non-major Governmental fund types)	19,967	-
Notes receivable	1,828,060	-
Grant drawdowns prior to meeting all eligibility requirements	-	1,066,733
	<u>\$ 3,564,920</u>	<u>\$ 1,066,733</u>

NOTE E - PAYABLES

Accounts payable and accrued expenses as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 1,355,939	\$ 729,928
Accrued liabilities	685,129	197,080
Intergovernmental	199,440	52,286
Deposits	589,921	791,586
Accrued interest	<u>43,233</u>	<u>286,112</u>
Total payables	<u>\$ 2,873,662</u>	<u>\$ 2,056,992</u>

NOTE F- LONG-TERM OBLIGATIONS

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005	Due Within One Year
<u>Business-type activities:</u>					
4.70% to 6.00% 2000 water revenue bonds	\$ 5,435,000	\$ -	\$(1,335,000)	\$ 4,100,000	\$ 1,420,000
2.00% State of Michigan sewage disposal system bonds	33,700,834	-	(3,254,914)	30,445,920	3,305,794
2.25% State of Michigan sewage disposal system bonds	7,905,977	-	(488,889)	7,417,088	484,890
2.50% State of Michigan sewage disposal system bonds	12,995,195	364,453	(755,000)	12,604,648	770,000
3.60% to 5.50% Drake/Douglas sewage general obligation bonds	1,125,000	-	(25,000)	1,100,000	25,000
Accrued sick and vacation/PTO payable	898,721	675,357	(500,494)	1,073,584	500,494
Plus: Deferred gain on refunding	<u>110,118</u>	<u>-</u>	<u>(27,533)</u>	<u>82,585</u>	<u>-</u>
Total business-type activities	<u>\$ 62,170,845</u>	<u>\$ 1,039,810</u>	<u>\$(6,386,830)</u>	<u>\$ 56,823,825</u>	<u>\$ 6,506,178</u>

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005	Due Within One Year
<u>Governmental activities:</u>					
Workers' compensation claims payable	\$ 2,307,062	\$ 83,277	\$ -	\$ 2,390,339	\$ -
Insurance claims payable	674,194	-	(70,543)	603,651	-
5.10% to 5.90% 1994 general obligation judgment bonds	345,000	-	(60,000)	285,000	65,000
Installment contracts payable:					
Rear loading packer trucks	208,919	-	(208,919)	-	-
Street dump trucks	100,847	-	(49,746)	51,101	51,101
Compost Screener	45,306	-	(14,301)	31,005	15,088
Pierce fire pumps	757,212	-	(296,049)	461,163	305,118
Accrued sick and vacation/PTO payable (Internal Service Funds)	203,799	48,855	(2,518)	250,136	-
Accrued sick and vacation/PTO payable	4,333,823	1,778,033	(1,702,064)	4,409,792	1,702,064
Compensatory time payable	864,081	79,960	-	944,041	-
Section 108 loans payable to Department of Housing and Urban Development (DHUD)	<u>2,700,000</u>	<u>-</u>	<u>(455,000)</u>	<u>2,245,000</u>	<u>475,000</u>
Total governmental activities	<u>\$ 12,540,243</u>	<u>\$ 1,990,125</u>	<u>\$ (2,859,140)</u>	<u>\$ 11,671,228</u>	<u>\$ 2,613,371</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities.

For the governmental activities, workers' compensation and insurance claims payable are liquidated by the internal service funds and accrued sick and vacation/PTO payable and compensatory time payable are generally liquidated by the general fund and certain special revenue funds.

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2005, excluding accrued sick and vacation/PTO payable, workers' compensation payable, insurance claims payable, compensatory time payable and Section 108 loans payable to DHUD are as follows:

Due In	<u>Business-type Activities</u>		<u>Governmental Activities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 6,005,684	\$ 1,328,035	\$ 436,307	\$ 29,080	\$ 6,441,990	\$ 1,357,115
2007	6,103,730	1,155,807	241,962	14,017	6,345,693	1,169,824
2008	5,811,476	976,999	75,000	6,600	5,886,476	983,599
2009	4,635,737	815,695	75,000	2,213	4,710,737	817,908
2010	4,676,755	716,832	-	-	4,676,755	716,832
2011	4,777,266	616,486	-	-	4,777,266	616,486
2012	4,895,954	513,333	-	-	4,895,954	513,333
2013	4,966,915	407,852	-	-	4,966,915	407,852
2014	3,691,080	314,291	-	-	3,691,080	314,291
2015	3,383,082	235,497	-	-	3,383,082	235,497
2016	1,666,620	176,537	-	-	1,666,620	176,537
2017	1,703,539	134,666	-	-	1,703,539	134,666
2018	1,585,000	93,603	-	-	1,585,000	93,603
2019	1,364,818	44,254	-	-	1,364,818	44,254
2020	100,000	17,500	-	-	100,000	17,500
2021	100,000	12,500	-	-	100,000	12,500
2022	100,000	7,500	-	-	100,000	7,500
2023	100,000	2,500	-	-	100,000	2,500
	<u>\$ 55,667,656</u>	<u>\$ 7,569,887</u>	<u>\$ 828,269</u>	<u>\$ 51,910</u>	<u>\$ 56,495,925</u>	<u>\$ 7,621,797</u>

The total requirements of principal and interest on long-term obligations at June 30, 2005 for business-type activity obligations are summarized as follows:

<u>Business-type activities obligations:</u>	<u>Principal</u>	<u>Interest</u>
Water Revenue Bonds	\$ 4,100,000	\$ 426,094
State of Michigan Sewage Disposal System Bonds (2.00%)	30,445,920	2,843,754
State of Michigan Sewage Disposal System Bonds (2.25%)	7,417,088	1,232,786
State of Michigan Sewage Disposal System Bonds (2.50%)	12,604,648	2,450,890
Drake/Douglas General Obligation Bonds	1,100,000	616,363
Total Enterprise Obligations	<u>\$ 55,667,656</u>	<u>\$ 7,569,887</u>

The total requirements of principal and interest on long-term obligations at June 30, 2005 for governmental activities obligations are summarized as follows:

<u>Governmental Activities Obligations:</u>	<u>Principal</u>	<u>Interest</u>
1994 Debt Service Judgment		
Bonds	\$ 285,000	\$ 34,201
Pierce Fire Pumpers	461,163	14,090
Compost Screener	31,005	2,580
Street Dump Trucks	51,101	1,039
	<u>828,269</u>	<u>51,910</u>
Total General Obligations		
	<u>828,269</u>	<u>51,910</u>
Total Future Debt Service Requirements	<u>\$ 56,495,925</u>	<u>\$ 7,621,797</u>

State law and the City's revenue bond ordinances require that the City maintain such user charges and fees for service as may be required to meet all operating, reserve and debt service requirements. These ordinances also require various accounts be maintained to cover operation and maintenance; improvements and extension; repairs and replacements; and a reserve for bond and interest redemption. Annual contributions are made to these accounts as required and to the reserve for bond and interest redemption to maintain it at a level equal to the largest annual debt service payment outstanding. Any funds remaining after meeting these requirements may be placed in a surplus fund to be used to meet future debt or reserve requirements or to provide a means of financing further improvements and extensions to the water system.

On June 1, 2000, the City issued \$10,010,000 of Water Supply System Revenue Bonds for a current refunding of \$10,075,000 of Revenue and Revenue Refunding Bonds, Series 1993. The refunding was undertaken to reduce total future debt service payments and to secure a more favorable interest rate over the life of the outstanding debt. There is no outstanding principal as of June 30, 2001. Bond proceeds were used to replace approximately 20,000 residential water meters; 50 larger meters used in commercial, industrial and wholesale applications; retro-fit 80 larger meters for remote reading; and purchase new automated meter reading equipment. The net carrying amount of the old debt exceeded the reacquisition price by \$220,250, which is being amortized over the life of the bond and the carrying value of the gain is \$165,184 and is netted against the value of the debt. Principal payments are due July 1 through 2008. Interest payments are due January 1 and July 1. Principal and interest are payable solely from the revenues of the Water Fund.

NOTE G - ACTIVITY EXCEEDING APPROPRIATIONS

The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
GENERAL FUND:			
General Government			
City Council	\$ 83,029	\$ 84,682	\$ 1,653
Elections	170,594	174,825	4,231
Unemployment Compensation	-	25	25
Geographical Information System Charges	65,165	65,167	2
DNR Special Assessments and Delinquent Taxes	-	282,777	282,777
Fiscal Services			
Treasurer/Income Tax	865,141	871,042	5,901

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
GENERAL FUND(continued):			
Public Safety			
Fire Department – Prevention	\$ 242,535	\$ 256,124	\$ 13,589
General Services			
Public Works and Engineering	153,934	165,224	11,290
Play Activities	-	200	200
Parks Building Maintenance	-	3,620	3,620
Property Management	-	1,030	1,030
City Hall Maintenance	806	1,760	954
Building and Grounds Maintenance	935,552	1,008,324	72,772
Community Services			
Demolitions	-	28,648	28,648
Meter Enforcement	-	300	300
Transfers Out			
Public Employee Healthcare	144,878	194,878	50,000
Streets Funds	491,582	566,129	74,547
Police Grant Funds	67,677	76,467	8,790
SPECIAL REVENUE FUNDS:			
Major Streets Fund	3,671,443	4,167,325	495,882

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14,755,225	\$ -	\$ -	\$ 14,755,225
Construction in progress	1,342,022	79,245	-	1,421,267
Total capital assets not being depreciated	\$ 16,097,247	79,245	-	16,176,492
Capital assets being depreciated:				
Infrastructure	6,222,263	2,197,041	-	8,419,304
Building	14,252,908	24,009	-	14,276,917
Equipment	7,384,998	25,131	-	7,410,129
Vehicle and radio equipment	11,981,967	247,718	(2,176,447)	10,053,238
Total capital assets being depreciated	39,842,136	2,493,899	(2,176,447)	40,159,588
Less accumulated depreciation				
Infrastructure	(541,006)	(402,218)	-	(943,224)
Building	(7,895,861)	(391,423)	-	(8,287,284)
Equipment	(4,766,649)	(583,718)	-	(5,350,367)
Vehicle and radio equipment	(8,239,010)	(735,210)	2,152,383	(6,821,837)
Total accumulated depreciation	(21,442,526)	(2,112,569)	2,152,383	(21,402,712)
Total capital assets being depreciated, net	18,399,610	381,330	(24,064)	18,756,876
Governmental activities				
Capital assets, net	<u>\$ 34,496,857</u>	<u>\$ 460,575</u>	<u>\$ (24,064)</u>	<u>\$ 34,933,368</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,610,838	\$ -	\$ -	\$ 1,610,838
Construction in progress	<u>1,435,076</u>	<u>-</u>	<u>(969,841)</u>	<u>465,235</u>
Total capital assets not being depreciated	<u>3,045,914</u>	<u>-</u>	<u>(969,841)</u>	<u>2,076,073</u>
Capital assets being depreciated:				
Building and Improvements	130,839,341	1,498,023	-	132,337,364
CSO facilities	103,164,236	24,665	-	103,188,901
Equipment	<u>6,960,447</u>	<u>411,906</u>	<u>-</u>	<u>7,372,353</u>
Total capital assets being depreciated	<u>240,964,024</u>	<u>1,934,594</u>	<u>-</u>	<u>242,898,618</u>
Less accumulated depreciation				
Building and improvements	(75,297,550)	(2,541,007)	-	(77,838,557)
CSO facilities	(33,920,421)	(3,963,624)	-	(37,884,045)
Equipment	<u>(5,210,059)</u>	<u>(228,536)</u>	<u>-</u>	<u>(5,438,595)</u>
Total accumulated depreciation	<u>(114,428,030)</u>	<u>(6,733,167)</u>	<u>-</u>	<u>(121,161,197)</u>
Total capital assets being depreciated, net	<u>126,535,994</u>	<u>(4,798,573)</u>	<u>-</u>	<u>121,737,421</u>
Business-type activities				
Capital assets, net	<u>\$129,581,908</u>	<u>\$(4,798,573)</u>	<u>\$ (969,841)</u>	<u>\$123,813,494</u>

The Wave Pool Enterprise Fund assets were idle for the year ended June 30, 2005. At June 30 they had a net carrying value of \$1,068,581.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 418,439
Fiscal Services Administration	19,502
Fire	208,779
Police	214,094
General services	281,911
Community services	13,490
Highways and streets	402,218
Internal service funds	<u>554,136</u>
Total depreciation expense – governmental activities	<u>\$2,112,569</u>
Business-type activities:	
Water	\$1,162,719
Sewer	5,210,108
Parking	218,533
Wave Pool	<u>141,807</u>
Total depreciation expense – business-type activities	<u>\$6,733,167</u>

NOTE I - LITIGATION, CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS

The City is a defendant in various civil and administrative legal actions arising during the normal course of its activities. In accordance with FASB Statement 5, *Accounting for Contingencies*, the City accrues for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated (see Note O).

The City Attorney protects the legal interests of the City by vigorously defending these actions and believes these actions will either be favorably resolved or that it is too early to estimate any possible loss upon the outcome of such cases. Often, the City Attorney negotiates expedient settlements on behalf of the City in amounts substantially less than the amount sought by the claimants. The City does not admit liability, however, in any of the cases settled.

The City is self-insured for workers' compensation. Over the past few years, the number of workers' compensation claims has greatly decreased. In accordance with GASB Statement No. 10, an estimate of the City's workers' compensation liability has been recorded in an Internal Service Fund (see Note O).

NOTE J – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

	Transfers from								Total
	General Fund	Major Streets	Community Development	Nonmajor Governmental	Water	Sewer	Nonmajor Enterprise	Internal Service	
Transfers to:									
General Fund	\$ -	\$ -	\$ -	\$ -	% -	\$ -	\$ -	\$ 319,732	\$ 319,732
Major Streets	566,129	-	-	-	-	-	-	-	566,129
Nonmajor governmental	76,467	123,944	257,524	110,390	-	-	-	2,328	570,653
Water	-	-	-	-	-	-	-	24,942	24,942
Internal Service	194,878	16,036	3,855	95,890	24,022	30,216	1,966	11,687	378,550
	<u>\$ 837,474</u>	<u>\$ 139,980</u>	<u>\$ 261,379</u>	<u>\$ 206,280</u>	<u>\$ 24,022</u>	<u>\$ 30,216</u>	<u>\$ 1,966</u>	<u>\$ 358,689</u>	<u>\$ 1,860,006</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected into the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE K – DEFICIT BALANCES IN FUND EQUITIES

In the Nonmajor Enterprise Funds, the Parking Fund had a net assets deficit at the fiscal year ended June 30, 2005 in the amount of \$409,238. In the Internal Service Funds, the Self Insurance Fund and the Workers' Compensation Fund had net assets deficits at the fiscal year ended June 30, 2005 in the amount of \$266,595 and \$790,932, respectively. Deficit Elimination Plans will be prepared for Council approval and then filed with the Local Audit and Finance Division of the State of Michigan.

NOTE L - RETIREMENT SYSTEMS

The City participates in three pension plans: the City of Saginaw Policemen and Firemen Retirement System, a single-employer defined benefit system, the Michigan Municipal Employees Retirement System (MERS), a State administered agent multi-employer defined benefit public retirement system that acts as a common investment and administrative agent for virtually all Michigan municipal employees, and a defined contribution system through MERS and ICMA. Permanent, full time employees not covered under the Policemen and Firemen Retirement System are covered under MERS if employed before June 30, 2000. After June 30, 2000, new permanent, full time employees not covered by the Policemen and Firemen Retirement System are covered under the defined contribution system that is held in trust by ICMA for the sole benefit of the participating employees. The Policemen and Firemen pension plan is maintained as a Pension Trust Fund and is reported on herein as part of the City's reporting entity. The required supplemental 6-year historical trend information provides information about the progress made in accumulating sufficient assets to pay benefits when due.

DEFINED CONTRIBUTION PENSION PLAN

The City of Saginaw Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the City and administered by an outside third-party administrator. All City employees hired after July 1, 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other City employees that are not vested in the City's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan.

Employees vest in the City's contributions according to years of service completed. Employees with 3 years of service are 20% vested. The vesting schedule increases 20% for each additional year of service, with the employee becoming fully vested upon 7 years of completed service.

At June 30, 2005, there were 90 plan members. The City is required to contribute 10% of the employees' gross wages and the eligible employee is required to contribute 5% of their gross wages. The contribution requirements of plan members and the City are established and may be amended by the City Council.

Employer contributions to the Plan for the year ended June 30, 2005 amounted to \$339,542 and employee contributions were \$173,044.

A stand-alone pension plan report has not been issued for the defined contribution plan.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The City's defined benefit pension plan, the City of Saginaw Employees Retirement Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling (800) 767-6377.

All permanent, full time employees not covered under the Policemen and Firemen Retirement System are covered under MERS.

Funding Policy

The City is required to contribute an amount equal to a percentage of covered payroll which is determined based on union negotiated rates and actuarially determined rates; the current rate to cover normal costs ranges from 25.47% to 69.9% of annual covered payroll. Under the plan, eligible employees are required to contribute 4.7% of earned wages to the MERS plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2005, the City's annual pension cost of \$3,056,773 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 24 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
06/30/03	\$ 2,279,545	100%	\$ 0
06/30/04	2,303,220	100%	0
06/30/05	3,056,773	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/02	\$ 76,956,493	\$ 117,593,893	\$ 40,637,400	65%	\$ 12,232,048	332%
12/31/03	77,584,618	124,739,715	47,155,097	69%	10,357,413	455%
12/31/04	76,412,097	134,160,873	57,748,776	57%	9,837,556	587%

POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Plan Description and Contribution Information

The City has a single-employer defined benefit contributory pension plan which provides retirement, death and disability benefits covering all Police and Fire personnel of the City, subject to certain eligibility requirements. Membership of the plan consisted of the following at June 30, 2004 the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	381
Active plan members	<u>178</u>
Total	<u>559</u>

Eligible members of the Plan are required to contribute thirteen percent (13%) for police and nine percent (9%) for fire of their annual compensation to the Plan with the City contributing such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Plan members. The current rate paid by the City is 27.84% of annual covered payroll for police patrol and command and 32.84% for all other members.

The City of Saginaw is the Administrator of the Plan. Administrative costs of the Plan are financed through investment earnings. The Plan is included as a pension trust fund in the City's financial statements and a stand alone financial report of the Plan has not been issued.

Plan amendments are under the authority of Ordinance D One, Chapter 5, Article One, of the Saginaw General Code which states all amendments are to be approved by City Council. Changes in required contributions are approved by the Policemen and Firemen Pension Board.

Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. The City's contributions to the Plan are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost, which approximates fair value; securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; investments that do not have established fair values are reported at estimated fair value; and cash deposits are reported at carrying amounts which reasonably estimates fair value.

No single investment comprised more than five percent of the total investments for the Police and Fire Retirement System at June 30.

The Plan's annual pension cost of \$3,369,291 was equal to the Plan's required and actual contributions for the current year.

The annual required contribution for the current year was determined as part of a June 30, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.75% to 17.75% per year. Both (a) and (b) included an inflation component of 4.75%. The assumptions did not include post-retirement benefits. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004 was 27 years.

GASB Statement No. 25 Required Supplementary Information is presented after the Footnotes on page 57.

NOTE M - EMPLOYEE BENEFITS

In addition to contributing to the Michigan Municipal Employees Retirement System described in Note L, all full time City employees, except sworn Police and Fire personnel, contribute to Social Security (6.20%), up to a maximum of \$4,984.80, and Medicare (1.45%). All sworn Police and Fire personnel hired after April 1, 1986 contribute 1.45% to Medicare. All regular part time employees, those who work between twenty and thirty-two hours per week, contribute 1.45% to Medicare and 3.75% to a deferred compensation account in lieu of Social Security. The City contributes a matching 3.75%.

The City paid or accrued premiums, claims and administrative fees to third party administrators for its full time employees totaling \$4,156,022, a decrease of 25.6% from the prior fiscal year, as follows:

	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>	<u>Increase (Decrease)</u>
Health Insurance	\$ 3,295,113	\$ 4,486,390	\$(1,191,277)
Dental Insurance	316,403	329,540	(13,137)
Life Insurance	113,766	144,979	(31,213)
Short/Long term disability	350,290	523,738	(173,448)
Vision Care	80,450	100,115	(19,665)
Total Payments	<u>\$ 4,156,022</u>	<u>\$ 5,584,762</u>	<u>\$(1,428,740)</u>

The cost of these premiums is charged to City funds based on the actual cost for each employee.

OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note L, the City of Saginaw continues health insurance coverage to all employees upon retirement according to Union contracts negotiated with the various employee bargaining groups. Life insurance is also provided upon retirement as follows: \$6,000 for the Fire fighters employee group; \$7,000 for the Police Command employee group; and \$10,000 for the non-union Management, Supervisory, Police Patrol, Salaried and Hourly employee groups. Dental insurance is continued upon retirement only to the Fire fighters covered by Delta Dental. Dental insurance for all other employee groups is terminated upon retirement.

In addition to the health care expenditures for full time employees above, expenditures in the amount of \$5,736,232 were recognized for postretirement health care benefits, an increase of 13.3%, over the prior fiscal year, as follows:

	<u>No. of Retirees</u>	<u>Fiscal Year 2005</u>	<u>Fiscal Year 2004</u>
Health Insurance	714	\$ 5,683,241	\$ 5,007,490
Dental Insurance	93	37,655	40,679
Life Insurance	533	15,336	16,873
Total Payments		<u>\$ 5,736,232</u>	<u>\$ 5,065,042</u>

The cost of these premiums is charged to City funds based on the actual cost for each retiree.

The City has obtained an actuarial valuation as of June 30, 2001, that indicates that the City has a \$115 million liability for unfunded postretirement health care benefits that has not been recorded in the City's financial statements

NOTE N - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2005 consisted of the following:

	Due From					
	General Fund	Community Development	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
Due to:						
General Fund	\$ -	\$ 44,704	\$ 20,579	\$ -	\$ 1,663	\$ 66,946
Major Streets	-	-	-	-	322	322
Nonmajor governmental	2,454	-	-	-	407	2,861
Water	-	-	-	-	495	495
Sewer	-	1,611,701	-	232,192	871	1,844,764
Nonmajor enterprise	-	-	-	-	49	49
Internal Service	1,221,548	-	474,283	376,230	4,895	2,076,956
Total	\$ 1,224,002	\$ 1,656,405	\$ 494,862	\$ 608,422	\$ 8,702	\$ 3,992,393

The balance of \$44,704 due to the General Fund from the Community Development Fund resulted from loans made in the Community Development Fund for the use of residential rehabilitation known as the Russell Street Homes. As these loans are paid back to the Community Development Fund, the money is transferred to the General Fund to reduce the interfund receivable.

All remaining balances resulted from the time lag between the dates that (1) goods and services are provided or reimbursable expenditures occur and (2) transactions are recorded in the accounting system.

NOTE O – SELF INSURANCE

General Liability

The City's insurance carriers are Genesis Insurance Company for general liability coverage and St Paul Insurance for vehicle damage and liability. The City is insured up to \$21 million with a \$100,000 deductible per occurrence for general liability and for \$15,000 per vehicle/\$30,000 per occurrence with a \$1,000 deductible for automobile liability. There were no reductions of insurance coverage from the prior year.

The self-insurance program for general liability is accounted for in the Self Insurance Internal Service Fund. The revenues for this fund's operation are reimbursements from various funds and a transfer from the General Fund. Funds are charged for general liability insurance based on total budget. Losses, deductibles, legal and administrative fees are paid from this fund. The liability for known claims is estimated by Willis, a third-party claims administrator.

The changes in the claims liability for the fiscal years ended June 30, 2004 and 2005 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/04	\$ 765,710	\$ (221,095)	\$ (129,579)	\$ 674,194
6/30/05	674,194	(15,223)	(55,320)	603,651

The Current Year Claims and Changes in Reserves resulted in a significant decrease in the claims liability for the fiscal year ended June 30, 2005. This decrease was due in large part to the settlement of cases in amounts less than the prior reserves.

Other types of risk are covered by commercial insurance. There were no insurance settlements that exceeded coverage in the last three years.

Workers' Compensation

The self-insurance program for workers' compensation is accounted for in the Workers' Compensation Internal Service Fund. Cambridge, Inc. administers this program. They are responsible for processing incident reports, claims investigation, payment of claims and coordinating workers' compensation cases with the City's Employee Services Division. The revenues for this fund's operation are reimbursements from various funds and a transfer from the General Fund. Funds are charged for workers' compensation insurance on a percentage of actual salaries. The percentages vary depending on the payroll classification of each employee and are a composite of the rates of several insurance companies. Deposits for claims and administrative expenses are paid from this fund. The liability for known claims is estimated by Cambridge, Inc. Incurred But Not Reported claims are judged to be immaterial by Management.

The City also carries Excess Workers' Compensation coverage for claims exceeding \$300,000 and Employers' Liability coverage in the amount of \$1,000,000 through American Home Assurance Company. These coverages will provide financial protection for the City in the event of a major employment-related catastrophe. The City currently has ten workers' compensation claims that exceed \$300,000.

The changes in the claims liability for the fiscal years ended June 30, 2004 and 2005 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/04	\$ 1,050,350	\$2,400,745	\$ 1,144,033	\$ 2,307,062
6/30/05	2,307,062	573,051	489,774	2,390,339

For the year ended June 30, 2004 the City had recorded only 50% of the claims reserve as established by the plan administrator. However, this estimate has been re-evaluated during the year ended June 30, 2005 and is based upon 100% of the reserve established by the administrator. The ending claims liability for June 30, 2004 has been restated to reflect 100% of the reserve.

NOTE P - PROPERTY TAXES

City property taxes are levied each July 1 on the taxable value of property located in the City as of the preceding December 31, tax day and the lien date. In accordance with the provisions of Proposal A (see below), taxable value is the lower of the following three computations: 1) assessed/state equalized value; 2) the prior year's taxable value multiplied by the increase in the consumer price index or five percent (5%), whichever is less; or 3) the multiplier value. Proposal A requires the City Assessor to annually establish the assessed values and the equalization of said assessed values by the State of Michigan at 50 percent of current market value, prior to the application of formulas to determine the taxable value. Real property taxable value for the July 1, 2004 levy was assessed at \$566,659,550 and personal property taxable value was assessed at \$124,301,700.

The City of Saginaw's operating tax rate for the fiscal year ended June 30, 2005 was 5.5412 mills (limited to 7.50 mills) with an additional 2.9532 mills for rubbish collection. The City did not levy for debt service.

On March 15, 1994, voters in the State of Michigan approved Proposal A, a property tax reform proposal, which shifted the funding of education from property taxes to a combination of property taxes, higher sales tax and a real estate transfer tax. Property taxes were reduced to a maximum of six mills for homestead property and eighteen mills for non-homestead property; the State Sales Tax was increased from four cents to six cents; and a new real estate transfer tax of \$7.50 per thousand dollars was added. In addition, Proposal A restricted the growth of assessments on individual properties to the increase in the consumer price index or five percent (5%), whichever is less, until ownership of the property is transferred. The citizens of Saginaw subsequently approved an additional four mills for public libraries when Proposal A eliminated their millage from the school's millage and another three mills to operate a public transportation system.

Taxes are due and payable on July 1 at the City Treasurer's Office and become delinquent after 30 days. To all real and personal taxes paid on or after August 1, there shall be added interest at the rate of $\frac{1}{2}$ of 1 percent for every month, or fraction thereof, from August 1 until the date of payment. A penalty of $\frac{1}{2}$ of 1 percent is also added after July 31. From March 1 and thereafter, real taxes are collected by the Treasurer of Saginaw County, who adds and keeps a collection fee of four percent (4%) on the unpaid balance, and in addition, adds interest at the rate of one percent (1%) per month from March 1 until the date of payment. Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The general tax law provides that real estate with delinquent taxes shall be sold at a state land sale.

Tax Limitation

By general law, property taxes for City purposes are limited to two percent (2%) of the assessed valuation of all real and personal property in the municipality, provided that no such restriction shall prevent the levy of taxes required for the payment of general debt obligations.

The charter of the City of Saginaw provided that City taxes shall be subject to the overall limitation (City, School and County) imposed by Section 21, Article X, of the Michigan State Constitution, which is 1-1/2 percent of assessed value exclusive of debt incurred prior to December 8, 1932. Act No. 44, Public Acts of 1948, effective August 20, 1948, amended all Michigan city charters nullifying charter limitations and authorized that the levy for city purposes shall not exceed one percent (1%) of assessed valuation in any one year, unless and until a different tax rate limitation is provided by charter. State equalized valuations have been used in place of local assessed valuations.

On November 6, 1979, pursuant to an initiatory referendum, the City Charter was amended by the electors of the City of Saginaw to reduce the maximum property tax, which may be levied by the City in any year from 10 mills to 7.50 mills. The amendment further provided that if in subsequent years the assessed value of all property within the City is increased for any reason, this maximum 7.50 mill rate would have to be permanently reduced so as to yield the same gross dollar revenue as the fiscal year 1979 property tax revenue yield (\$3,828,778). The amendment further provided for up to a 3 mill emergency levy if a specific emergency is declared by the Mayor and concurred in by a 3/4ths vote of the full Council.

On November 5, 2002 and May 3, 2005, special elections were held to remove the property tax dollar limitation of \$3,828,778 and the 7.50 mill limitation that was approved by the voters on November 6, 1979. The voters overwhelmingly defeated the proposal in both special elections.

NOTE Q - ECONOMIC DEVELOPMENT PROJECTS

Primary Government:

U. S. Graphite Project

On May 1, 1983, the City borrowed \$1,500,000 from the Department of Housing and Urban Development under the provisions of Section 108 of the Housing and Community Development Act of 1974, as amended to assist U.S. Graphite in the purchase of Wickes Engineered Materials from the Wickes Corporation in order to retain 220 jobs in the City of Saginaw. This loan was repaid in full by the City on October 1, 1991.

On December 15, 1997, City Council approved a Development Agreement with Gledco Engineered Materials, Ltd. and U.S. Graphite regarding their merger/acquisition. Under the Agreement, Gledco and U.S. Graphite will maintain current job levels and invest in new industrial machinery and equipment. The City will forgive and reduce the debt at the rate of \$1.00 for every \$1.00 of their investment. For a period of ten years, the City will forgive and reduce debt in the amount of \$10,000 for each new full time job created and an additional \$10,000 reduction for each City resident hired. The City also agreed to a five year forbearance of Section 108 debt payments required under the Bankruptcy Plan, provided Gledco and U.S. Graphite are not in default of the Development Agreement.

As of June 30, 2005, the entire amount of the Section 108 loan with U.S. Graphite had been offset through qualified investment, and the loan had been forgiven and reduced to \$0.

Baker Perkins Project

The City purchased a large industrial complex located in the southern area of the City at the end of 1987 and leased the office portion of the site to the seller. In February 1988, the City sold the office portion to Krauss Portfolio, Ltd. (KPL) and they assumed the lease with the former owner of the property. The balance of the site was retained by the Local Development Finance Authority (LDFA) for future development.

The LDFA leased the majority of the balance of the property comprising the Baker Perkins Project and the use of the property and certain equipment to Saginaw Industrial Machining, Inc. (SIM) to operate an industrial machining business. The business is financed with a line of credit from Michigan National Bank, secured by the assignment by the City (and the LDFA through private developers) of a portion of an income stream obtained from payments of tax increments made by the Tax Increment Finance Authority (TIFA) to the City from the Saginaw Division Tower Project.

In November 1989, the LDFA approved the sale of the Baker Perkins complex to the Saginaw Industrial Center (SIC). SIC agreed to remodel the facility, lease space and personal property to tenants and market it as an inner-city industrial park. The LDFA would act as an optional lessee and would lease space, if necessary, in the facility to provide an ongoing cash stream for debt service. The developer secured a \$1.1 million loan from a local bank to purchase the option from KPL, exercise the option and purchase the balance of the site from the LDFA and to make improvements to the facility. The bank's security would be the optional lease from the LDFA. The TIFA and LDFA pledged a portion of the cash stream from the Saginaw Division Tower Project to make the lease payments, if necessary. The payments assigned by the City to Michigan National Bank would be made by the developer, but still backed by the LDFA. The LDFA would have a first mortgage on the Baker Perkins real estate and personal property and a secured personal guarantee from an independent individual to make the LDFA whole in case of a loss.

On August 20, 1990, the TIFA and LDFA approved a Comprehensive Development Agreement with Saginaw Plastic Molding, Inc. (SPM). This project established SPM as an operating tenant at the SIC property and secured an additional \$825,000 loan from Second National Bank primarily for the purchase of machinery and equipment which will be leased by SIC to SIM and SPM for its use. This loan is secured by an amendment to the existing Master Lease and amendments to the assignments of the income streams not already committed. The LDFA used the income stream to pay debt service payments on the new bank loan. SPM agreed to repay the LDFA all sums advanced, with interest, amortized over the then remaining term of the General Motors lease.

On April 17, 1996, the LDFA deferred the repayment of Interim Rental Advances made to SPM until the earlier of: 1) the date SPM completes the lease obligations for its blow molding machine under the Equipment Lease; or 2) the date the Equipment Lease is otherwise terminated for any reason including default of SPM. The LDFA also waived the payment of interest on the Interim Rental Advances provided SPM does not default in any of its obligations. No payments were made by SPM during the fiscal year.

Brownfield Authority Site Remediation Revolving Fund (SRRF)

The City received a grant in the amount of \$200,000 from the U.S. Environmental Protection Agency for a Brownfields Assessment Demonstration Pilot. Peerless Environmental Services, Inc. was selected to prepare an inventory of contaminated sites, prioritize the sites and perform Phase 1 environmental assessments. Businesses must prepare a Redevelopment Plan to clean up the site and make improvements. The eligible costs can be reimbursed from property taxes that are captured from the increase in the taxable value established at the date the City Council approves the Plan and the taxable value after improvements are completed. School taxes are excluded from captured taxes unless the project receives special review from the Michigan Department of Environmental Quality.

On April 12, 2000, the City was awarded a supplemental grant from the U.S. Environmental Protection Agency in the amount of \$200,000 to continue environmental testing of sites along the Saginaw River and in the City's Renaissance Zones and to expand the eligible areas to include the entire Brownfield Authority Zone.

NOTE R - RESTATEMENTS

An adjustment was made in the General Fund to write off inventory that was more properly treated as supplies expenditures due to the nature of the items. Thus, the General Fund assets and fund balance were overstated in 2004. The adjustment had the following effect on the beginning fund balance:

Fund balance, as previously stated	\$ 5,098,179
Prior period adjustment to write off inventory	<u>(31,733)</u>
Fund balance, as restated	<u>\$ 5,066,446</u>

Adjustments were made in three funds to defer unexpended portions of grants that were previously reported as fund balance. The funds had not met the criteria for revenue recognition and should have been reported as liabilities until the criteria were met. Thus, the liabilities of these funds were understated and fund balances were overstated in 2004. The adjustments had the following effect on the beginning fund balances:

	Community Development	Community Policing	Auto Theft Prevention
Fund balances, as previously stated	\$ 285,852	\$ 939	\$ 548
Prior period adjustments to defer revenue	<u>(285,852)</u>	<u>(939)</u>	<u>(548)</u>
Fund balances, as restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

An adjustment was made in the Workers' Compensation Fund to properly record the end of the year claims liability at June 30, 2004. The claims liability was understated and net assets were overstated in 2004. The adjustment had the following effect on the beginning net assets:

Net assets, as previously stated	\$ 188,497
Prior period adjustment to claims liability	<u>(1,153,531)</u>
Net assets (deficit), as restated	<u>\$ (965,034)</u>

For the Governmental Activities on the Statement of Net Assets for the year ended June 30, 2004, errors were made in accounting for capital assets, capital leases payable, unearned revenue, interest payable, and Section 108 loans payable. In addition, the governmental and internal service funds' prior period adjustments also had an effect on beginning of the year net assets. These errors have been corrected and had the following effect on the beginning net assets:

Net assets, as previously stated	\$ 38,135,166
Prior period adjustments:	
Adjustment to include net value of asset purchased with a capital lease	43,026
Adjustment to value of infrastructure assets	3,427,127
Adjustment to include capital lease payable	(45,306)
Adjustment to recognize revenue from a long-term receivable that was included as unearned revenue	602,026
Adjustment to properly state Section 108 loans payable	(153,526)
Adjustment to include accrued interest payable	(57,798)
Net effect of prior period adjustments included in the funds	<u>(1,472,603)</u>
Net assets, as restated	<u>\$ 40,478,112</u>

NOTE S – SUBSEQUENT EVENTS

In June 2005, the City accepted the bid from Champagne & Marx, Inc. in the amount of \$2,132,154 for the E. Genesee Avenue Reconstruction and Water Main Project. This project will replace the existing water main and roadway from Webber Street to Hartsuff Street, including isolated curb and gutter replacement, together with the necessary related work. As part of this project, there will be \$1,000,000 of Federal Community Development Block Grant Funds made available to the City of Saginaw by the Michigan Economic Development Corporation. As of June 30, 2005, no amounts had been incurred on this project.

In September 2005, the City issued limited tax general obligation bonds in the amount of \$10,000,000 for the purpose of making capital improvements to the wastewater treatment plant, including screening and grit removal equipment, new and renovated primary treatment tanks, and raw sewage pumping station and related improvements.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF SAGINAW
GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION
POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Six-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/00	\$ 2,891,745	100%	\$ 0
6/30/01	2,774,774	100%	0
6/30/02	3,117,085	100%	0
6/30/03	2,938,416	100%	0
6/30/04	3,429,637	100%	0
6/30/05	3,369,291	100%	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/98	\$104,946,339	\$118,023,625	\$13,077,286	89%	\$11,096,906	117%
6/30/99	117,394,374	126,108,914	8,714,540	93%	11,669,475	75%
6/30/00	129,367,787	133,634,986	4,267,199	97%	12,487,533	34%
6/30/01	135,682,004	140,839,430	5,157,246	96%	11,489,493	45%
6/30/02	135,026,633	148,878,425	13,851,792	91%	11,732,914	118%
6/30/03	128,401,451	148,989,436	20,587,985	86%	10,208,281	202%

**SUPPLEMENTARY
INFORMATION**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

This fund is the general operating fund of the City. All general tax revenues, state revenue sharing, income tax and other receipts that are not allocated by law or contractual agreement to another fund are accounted for here. This fund accounts for the general operating expenditures of the City, such as Police and Fire, Recreation, Cemeteries, Employee Services, Inspections, Fiscal Services, Public Works and Engineering and all other expenditures not recorded elsewhere.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET
GENERAL FUND
June 30, 2005
(With Comparative Actual Amounts for June 30, 2004)

	2005	2004
ASSETS		
Cash and cash equivalents	\$ 469,886	\$ 1,217
Income taxes receivable	1,679,869	1,221,439
Accounts receivable, net of allowances	1,740,934	1,132,941
Accrued interest receivable	9,726	5,187
Due from other governmental units	3,336,993	3,445,473
Inventories	-	31,733
Property taxes receivable	129,192	198,374
Assessments receivable	101,875	119,552
Investments	1,717,450	123,636
Due from other funds	22,242	20,478
Restricted assets		
Cash and cash equivalents	200,000	3,000,000
Long-term advances to other funds	44,704	47,458
TOTAL ASSETS	\$ 9,452,871	\$ 9,347,488
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 472,938	\$ 564,909
Accrued wages payable	563,849	1,314,478
Due to other governmental units	74,734	31,092
Due to other funds - Note N	1,224,002	856,671
Customer deposits	589,631	523,569
Deferred revenue - Note D	1,549,456	958,590
Total Liabilities	4,474,610	4,249,309
Fund balances		
Reserved for:		
Encumbrances	36,081	66,626
Inventories	-	31,733
Long-term advances to other funds	44,704	47,458
Unreserved:		
Designated for:		
Self Insurance Fund	266,595	745,228
Workers' Compensation Fund	790,932	-
Rubbish Fund	-	457,000
Parking Fund	409,238	443,000
Budget stabilization	209,726	3,000,000
Subsequent years' expenditures	-	150,000
Undesignated , reported in:		
General Fund	3,220,985	157,134
Total Fund Balances	4,978,261	5,098,179
TOTAL LIABILITIES AND FUND EQUITIES	\$ 9,452,871	\$ 9,347,488

CITY OF SAGINAW, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005
(With Comparative Actual Amounts for the Year ended June 30, 2004)

	For the Year Ended June 30, 2005				Year Ended June 30, 2004
	Original Budget	Amended Budget	Actual	Variance Over (Under)	Actual
REVENUES					
General operating property taxes	\$ 3,778,153	\$ 3,778,153	\$ 3,657,758	\$ (120,395)	\$ 3,657,236
Special assessments	65,000	65,000	93,334	28,334	100,754
City income tax	13,500,000	12,700,000	13,228,923	528,923	12,918,086
State shared revenues					
Sales tax	10,330,104	10,530,385	10,398,895	(131,490)	10,316,165
Race track	35,000	35,000	53,208	18,208	56,193
Liquor licenses	40,000	40,000	45,612	5,612	44,033
Total State Shared Revenues	<u>10,405,104</u>	<u>10,605,385</u>	<u>10,497,715</u>	<u>(107,670)</u>	<u>10,416,391</u>
Departmental and miscellaneous					
Housing and business licenses	176,000	176,000	204,531	28,531	257,713
Construction and other permits	213,045	213,045	261,431	48,386	265,160
Fees	775,865	785,865	863,842	77,977	580,884
Fines, penalties and forfeitures	308,530	308,530	410,552	102,022	312,384
Grants, donations and contributions	1,974,182	1,974,182	2,011,394	37,212	1,952,354
Interest	192,500	202,500	256,756	54,256	205,545
Rents and privileges	81,600	81,600	-	(81,600)	67,235
Sale of materials and services	687,300	899,314	1,057,108	157,794	762,255
Total Departmental and Miscellaneous Revenues	<u>4,409,022</u>	<u>4,641,036</u>	<u>5,065,614</u>	<u>424,578</u>	<u>4,403,530</u>
TOTAL REVENUES	<u>32,157,279</u>	<u>31,789,574</u>	<u>32,543,344</u>	<u>753,770</u>	<u>31,495,997</u>
EXPENDITURES					
General Government	3,553,119	3,618,436	3,702,025	83,589	4,501,750
Fiscal Services (Administration)	2,055,751	2,290,359	2,045,421	(244,938)	1,874,155
Public Safety	21,792,305	23,424,183	22,116,629	(1,307,554)	21,297,354
General Services	2,784,010	2,826,993	2,858,392	31,399	2,994,674
Community Services	1,152,796	1,217,432	1,074,485	(142,947)	1,451,913
Debt Service	316,836	316,836	316,835	(1)	764,308
TOTAL EXPENDITURES	<u>31,654,817</u>	<u>33,694,239</u>	<u>32,113,787</u>	<u>(1,580,452)</u>	<u>32,884,154</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>502,462</u>	<u>(1,904,665)</u>	<u>429,557</u>	<u>2,334,222</u>	<u>(1,388,157)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	319,732	319,732	979,870
Transfers out	<u>(938,513)</u>	<u>(1,045,335)</u>	<u>(837,474)</u>	<u>207,861</u>	<u>(830,285)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(938,513)</u>	<u>(1,045,335)</u>	<u>(517,742)</u>	<u>527,593</u>	<u>149,585</u>
Net change in fund balances	<u>\$ (436,051)</u>	<u>\$ (2,950,000)</u>	<u>(88,185)</u>	<u>\$ 2,861,815</u>	<u>(1,238,572)</u>
Fund balances at beginning of year, as restated			<u>5,066,446</u>		<u>6,336,751</u>
FUND BALANCES AT END OF YEAR			<u>\$ 4,978,261</u>		<u>\$ 5,098,179</u>

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual Revenues</u>	<u>Variance Over (Under)</u>
LICENSES				
Business and occupational	\$ 26,000	\$ 26,000	\$ 25,924	\$ (76)
Rental housing	<u>150,000</u>	<u>150,000</u>	<u>178,607</u>	<u>28,607</u>
TOTAL LICENSES	<u>176,000</u>	<u>176,000</u>	<u>204,531</u>	<u>28,531</u>
CONSTRUCTION AND OTHER PERMITS	<u>213,045</u>	<u>213,045</u>	<u>261,431</u>	<u>48,386</u>
FEES				
Property tax administration	235,000	235,000	330,561	95,561
Gun registration	1,000	1,000	1,460	460
Zoning code	10,000	10,000	5,870	(4,130)
Witness	10,000	10,000	9,230	(770)
Japanese Tea House	6,500	6,500	8,025	1,525
Vehicle storage	12,000	12,000	-	(12,000)
Hazmat clean up	1,000	1,000	4,478	3,478
Fire Department	365	365	-	(365)
Cable television	<u>500,000</u>	<u>510,000</u>	<u>504,218</u>	<u>(5,782)</u>
TOTAL FEES	<u>775,865</u>	<u>785,865</u>	<u>863,842</u>	<u>77,977</u>
FINES, PENALTIES AND FORFEITURES				
Traffic violations (except parking)	50,000	50,000	108,451	58,451
Traffic violations - parking	150,000	150,000	39,656	(110,344)
Penalties on property taxes	103,530	103,530	140,823	37,293
Transfer affidavit fines	<u>5,000</u>	<u>5,000</u>	<u>121,622</u>	<u>116,622</u>
TOTAL FINES, PENALTIES AND FORFEITURES	<u>308,530</u>	<u>308,530</u>	<u>410,552</u>	<u>102,022</u>
GRANTS, DONATIONS AND CONTRIBUTIONS				
City/County/School Liaison	10,000	10,000	10,000	-
FEMA grant	-	-	84,616	84,616
Indirect costs	1,954,182	1,954,182	1,854,204	(99,978)
Recreation program	-	-	160	160
Reimbursement for Police overtime	10,000	10,000	48,152	38,152
Other grants	<u>-</u>	<u>-</u>	<u>14,262</u>	<u>14,262</u>
TOTAL GRANTS, DONATIONS AND CONTRIBUTIONS	<u>1,974,182</u>	<u>1,974,182</u>	<u>2,011,394</u>	<u>37,212</u>

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
AND OPERATING TRANSFERS IN
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
INTEREST				
Investments	\$ 100,000	\$ 100,000	\$ 143,549	\$ 43,549
Cemetery endowments	10,000	10,000	-	(10,000)
Deferred special assessments	7,500	7,500	3,620	(3,880)
City income taxes	75,000	85,000	109,587	24,587
TOTAL INTEREST	192,500	202,500	256,756	54,256
RENTS AND PRIVILEGES				
Land and buildings	81,600	81,600	-	(81,600)
SALE OF MATERIALS AND SERVICES				
Cemetery services and markers	352,000	352,000	339,838	(12,162)
Cemetery grave spaces	100,000	100,000	88,120	(11,880)
Police Department services	25,000	25,000	34,257	9,257
Abandoned vehicle auction proceeds (net)	25,000	95,811	198,697	102,886
Fire Department services	6,300	6,300	12,173	5,873
Engineering plans and specifications	1,000	1,000	1,555	555
Sale of land	50,000	50,000	141,521	91,521
Insurance proceeds	10,000	22,000	15,930	(6,070)
Surplus receipts	-	101,663	106,252	4,589
Elections services	-	25,188	25,188	-
Other	118,000	120,352	93,577	(26,775)
TOTAL SALE OF MATERIALS AND SERVICES	687,300	899,314	1,057,108	157,794
TRANSFERS IN				
Sick and Vacation Fund	-	-	319,732	319,732
TOTAL DEPARTMENTAL AND MISCELLANEOUS REVENUES AND TRANSFERS IN	\$ 4,409,022	\$ 4,641,036	\$ 5,385,346	\$ 744,310

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
GENERAL GOVERNMENT				
City Council	\$ 85,083	\$ 83,029	\$ 84,682	\$ 1,653
City/County/School Liason	-	15,000	6,693	(8,307)
City Manager	473,548	514,497	507,041	(7,456)
Cable Television Operation	44,692	46,483	43,099	(3,384)
Employee Services	558,215	553,552	551,466	(2,086)
City Clerk	314,898	362,409	310,697	(51,712)
Elections	145,798	170,594	174,825	4,231
City Attorney	610,772	552,759	484,236	(68,523)
Unemployment Compensation	-	-	25	25
Retiree Health Insurance	1,252,948	1,252,948	1,189,317	(63,631)
Geographical Information System Charges	67,165	67,165	67,167	2
DNR Special Assessments and Delinquent Taxes	-	-	282,777	282,777
TOTAL GENERAL GOVERNMENT	3,553,119	3,618,436	3,702,025	83,589
FISCAL SERVICES (Administration)				
Administration	303,554	310,254	120,880	(189,374)
Controller	475,786	523,346	515,221	(8,125)
Treasurer/Income Tax	691,703	865,141	871,042	5,901
Assessor	450,711	452,248	409,269	(42,979)
Purchasing	133,997	139,370	129,009	(10,361)
TOTAL FISCAL SERVICES (Administration)	2,055,751	2,290,359	2,045,421	(244,938)
PUBLIC SAFETY				
Police Department				
Administration	308,011	360,807	348,511	(12,296)
Patrol	7,524,407	8,379,671	8,242,975	(136,696)
Administrative Services	540,202	541,974	460,222	(81,752)
Investigation	2,221,276	2,335,154	2,261,391	(73,763)
Building and Property Management	1,202,844	1,198,018	978,250	(219,768)
Technical Services	584,339	598,289	550,007	(48,282)
Total Police Department	12,381,079	13,413,913	12,841,356	(572,557)

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
PUBLIC SAFETY (CONTINUED)				
Fire Department				
Administration	\$ 379,291	\$ 399,227	\$ 365,229	\$ (33,998)
Suppression	8,356,475	8,662,454	8,154,143	(508,311)
Training	198,730	369,503	225,367	(144,136)
Prevention	141,179	242,535	256,124	13,589
Apparatus Operation and Maintenance	335,551	336,551	274,410	(62,141)
Total Fire Department	9,411,226	10,010,270	9,275,273	(734,997)
TOTAL PUBLIC SAFETY	21,792,305	23,424,183	22,116,629	(1,307,554)
GENERAL SERVICES				
Public Works and Engineering	150,588	153,934	165,224	11,290
Street Lighting	593,694	579,959	574,893	(5,066)
Public Improvements	472,396	452,513	450,291	(2,222)
Traffic Engineering	638	638	638	-
Abatement of Nuisances	96,231	96,231	88,964	(7,267)
Cemeteries Operation and Maintenance	488,450	516,415	505,073	(11,342)
Play Activities	-	-	200	200
Adult Sports	-	10,000	5,000	(5,000)
Japanese Tea House and Cultural Center	34,120	45,758	40,832	(4,926)
Parks Building Maintenance	-	-	3,620	3,620
Parks Grounds Maintenance	-	35,187	12,543	(22,644)
Property Management	-	-	1,030	1,030
City Hall Maintenance	806	806	1,760	954
Building and Grounds Maintenance	947,087	935,552	1,008,324	72,772
TOTAL GENERAL SERVICES	2,784,010	2,826,993	2,858,392	31,399
COMMUNITY SERVICES				
Administration	-	1,949	448	(1,501)
Inspections and Zoning	803,883	856,707	775,708	(80,999)
Demolitions	-	-	28,648	28,648
Planning and Economic Development	327,413	337,276	258,231	(79,045)
Meter Enforcement	-	-	300	300
Contributions to Other Organizations	21,500	21,500	11,150	(10,350)
TOTAL COMMUNITY SERVICES	1,152,796	1,217,432	1,074,485	(142,947)

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
DEBT SERVICE				
Principal	\$ 296,050	\$ 296,050	\$ 296,049	\$ (1)
Interest	20,786	20,786	20,786	-
TOTAL DEBT SERVICE	316,836	316,836	316,835	(1)
TRANSFERS OUT				
Transfers to Internal Service Funds:				
Information Services Fund	-	9,387	-	(9,387)
Motor Pool Fund	-	81,811	-	(81,811)
Self Insurance Fund	250,000	250,000	-	(250,000)
Public Employee Healthcare	144,878	144,878	194,878	50,000
Transfers to Special Revenue Funds:				
Streets Funds	475,958	491,582	566,129	74,547
Police Grant Funds	67,677	67,677	76,467	8,790
TOTAL TRANSFERS OUT	938,513	1,045,335	837,474	(207,861)
TOTAL APPROPRIATIONS, EXPENDITURES AND TRANSFERS OUT	<u>\$ 32,593,330</u>	<u>\$ 34,739,574</u>	<u>\$ 32,951,261</u>	<u>\$ (1,788,313)</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

LOCAL AND MUNICIPAL STREETS FUNDS

The Local Streets Fund receives allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair and construction of streets and bridges within the City. The Municipal Street Fund functions as an inventory account for street maintenance materials. These materials are reallocated to the Major and Local Streets Funds upon completion of construction.

RUBBISH COLLECTION FUND

Under authority of State law, the City levies a special property tax earmarked to support the cost of operating a weekly rubbish collection and disposal service. This fund accounts for the tax levy proceeds, household rubbish fees and composting fees. It also records the expenditures for rubbish collection, hauling and disposal, recycling, composting and trash cleanup.

MARINA GRANT FUND

This fund accounts for the revenues and expenditures of grant funds received from the Michigan Department of Natural Resources. Funds will be used for land acquisition, development and construction of a marina.

COMMUNITY POLICING FUND

This fund accounts for the revenues and expenditures of Police officers assigned to various City neighborhoods. This program provides the residents with a greater sense of protection and gives them the responsibility for developing and implementing problem solving strategies for their neighborhoods.

AUTO THEFT PREVENTION GRANT FUND

This fund accounts for grant funds received from the State of Michigan pursuant to Act 10 of the Public Acts of 1986. These funds are used by the Saginaw Police Department and Saginaw Township Police Department for the prevention and investigation of automobile thefts in Saginaw County.

POLICE TRAINING FUND

The fund accounts for allocations received from the State of Michigan pursuant to Act 302 of the Public Acts of 1982. Distributions are made twice annually based on the number of sworn Police officers. These funds can only be expended for direct costs of criminal justice training of Police officers.

YOUTH INITIATIVE GRANT FUND

This fund accounts for grant funds received from the U.S. Department of Justice. The funds will be used to engage youths and their families in programs that will enhance their self-awareness, self esteem and reduce their use of substances through participation in substance abuse programs.

NONMAJOR GOVERNMENTAL FUNDS

(continued)

SPECIAL REVENUE FUNDS

LOCAL LAW ENFORCEMENT GRANT FUND

This fund accounts for grant funds received from the U.S. Department of Justice. The funds will be used to support the salaries of additional Community Policing officers and to purchase carpeting, furnishings, laptop computers and police vehicles.

DRUG FORFEITURE FUND

This fund accounts for all expenditures and funds received from the forfeiture of cash and property seized during drug raids.

ANDERSEN CENTER OPERATION FUND

This fund accounts for the operation and maintenance expenditures and building rentals for the Andersen Enrichment Center. This fund also accounts for the private donations and individual contributions received by the Saginaw Community Enrichment Commission to provide financial support to cultural and creative arts organizations and to sponsor various social and community events to improve the quality of life in the City.

URBAN DEVELOPMENT ACTION GRANT

This fund accounts for the repaid loans received from the developer of the Saginaw Division Tower building. The developer received a Section 108 Loan and an Urban Development Action Grant from the Department of Housing and Urban Development for the renovation of the building and site clearance.

BOAT LAUNCH OPERATION FUND

This fund accounts for the revenues collected from the Wickes and Rust Avenue boat launches for parking and admission fees. This fund also accounts for the operation and maintenance expenditures of these facilities.

ECONOMIC DEVELOPMENT FUND

This fund was established to provide funds to be used as local match for federal and state grants for riverfront development projects. These funds are proceeds from a loan that was paid off when the Morley Building was sold.

CARL H. IBERSHOFF FUND

This fund accounts for monies received from the Carl H. Ibershoff Trust.

NONMAJOR GOVERNMENTAL FUNDS

(continued)

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulated resources used for the payment of general obligation bond principal and interest. The current payments are related to the 1994 Judgment Bonds.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for cemetery care and parks improvements purposes in support of the City's programs.

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue Funds			
	Local Streets	Municipal Streets	Rubbish Collection	Marina Grant
ASSETS				
Cash and cash equivalents	\$ -	\$ 15,225	\$ 107,477	\$ -
Accounts receivable, net of allowances	6,240	-	135,442	62,534
Due from other governmental units	171,653	-	-	247,525
Property taxes receivable	-	-	63,468	-
Assessments receivable	19,967	-	490,441	-
Due from other funds	54	-	353	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
TOTAL ASSETS	\$ 197,914	\$ 15,225	\$ 797,181	\$ 310,059
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,532	\$ 15,225	\$ 393,663	\$ -
Accrued wages payable	16,322	-	15,965	-
Due to other governmental units	969	-	17,426	-
Due to other funds	139,921	-	-	309,497
Deposits	-	-	-	-
Deferred revenue	19,967	-	63,468	562
Total Liabilities	184,711	15,225	490,522	310,059
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Debt service	-	-	-	-
Encumbrances	662	-	1,143	-
Specific projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated	12,541	-	305,516	-
Total Fund Balances	13,203	-	306,659	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 197,914	\$ 15,225	\$ 797,181	\$ 310,059

Special Revenue Funds				
Police Grants Funds				
Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant	Local Law Enforcement Grant
\$ 3,964	\$ -	\$ 34,459	\$ -	\$ -
537	251	-	249	-
-	32,022	-	14,080	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,501</u>	<u>\$ 32,273</u>	<u>\$ 34,459</u>	<u>\$ 14,329</u>	<u>\$ -</u>
\$ -	\$ 14,303	\$ 3,222	\$ 969	\$ -
3,660	2,081	-	1,734	-
-	-	-	-	-
-	13,629	-	11,236	-
-	-	-	-	-
841	2,260	31,237	390	-
<u>4,501</u>	<u>32,273</u>	<u>34,459</u>	<u>14,329</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,501</u>	<u>\$ 32,273</u>	<u>\$ 34,459</u>	<u>\$ 14,329</u>	<u>\$ -</u>
Continued				

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue Funds			
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant	Boat Launch Operation
ASSETS				
Cash and cash equivalents	\$ -	\$ 9,351	\$ 503,904	\$ 21,839
Accounts receivable, net of allowances	-	95	-	374
Due from other governmental units	-	-	-	-
Property taxes receivable	-	-	-	-
Assessments receivable	-	-	-	-
Due from other funds	2,454	-	-	-
Restricted assets				
Cash and cash equivalents	364,302	84,217	-	-
Investments	-	-	-	-
TOTAL ASSETS	\$ 366,756	\$ 93,663	\$ 503,904	\$ 22,213
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,808	\$ 3,402	\$ 1,688	\$ 2,792
Accrued wages payable	-	840	-	38
Due to other governmental units	-	1,833	-	-
Due to other funds	20,579	-	-	-
Deposits	-	-	-	-
Deferred revenue	-	2,000	-	-
Total Liabilities	22,387	8,075	1,688	2,830
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Debt service	-	-	-	-
Encumbrances	11,621	123	-	75
Specific projects	332,748	84,217	502,216	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated	-	1,248	-	19,308
Total Fund Balances	344,369	85,588	502,216	19,383
TOTAL LIABILITIES AND FUND BALANCES	\$ 366,756	\$ 93,663	\$ 503,904	\$ 22,213

Special Revenue Funds						
Economic Development	Carl H. Ibershoff Trust	Total	Debt Service	Capital Projects	Permanent Fund	Totals
\$ 291,383	\$ 2,807	\$ 990,409	\$ -	\$ 27,866	\$ 107,424	\$ 1,125,699
-	-	205,722	-	26	-	205,748
60,915	-	526,195	-	-	-	526,195
-	-	63,468	-	-	-	63,468
-	-	510,408	-	-	-	510,408
-	-	2,861	-	-	-	2,861
-	-	448,519	39,241	-	48,832	536,592
-	-	-	-	-	2,332,605	2,332,605
<u>\$ 352,298</u>	<u>\$ 2,807</u>	<u>\$ 2,747,582</u>	<u>\$ 39,241</u>	<u>\$ 27,892</u>	<u>\$ 2,488,861</u>	<u>\$ 5,303,576</u>
\$ 129,202	\$ -	\$ 573,806	\$ -	\$ 2,000	\$ 1,995	\$ 577,801
-	-	40,640	-	-	-	40,640
-	-	20,228	-	-	-	20,228
-	-	494,862	-	-	-	494,862
290	-	290	-	-	-	290
174,770	-	295,495	-	-	-	295,495
304,262	-	1,425,321	-	2,000	1,995	1,429,316
-	2,807	2,807	-	-	2,381,437	2,384,244
-	-	-	39,241	-	-	39,241
2,500	-	16,124	-	-	-	16,124
45,536	-	964,717	-	-	-	964,717
-	-	-	-	25,892	-	25,892
-	-	338,613	-	-	105,429	444,042
48,036	2,807	1,322,261	39,241	25,892	2,486,866	3,874,260
<u>\$ 352,298</u>	<u>\$ 2,807</u>	<u>\$ 2,747,582</u>	<u>\$ 39,241</u>	<u>\$ 27,892</u>	<u>\$ 2,488,861</u>	<u>\$ 5,303,576</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Special Revenue Funds			
	Local Streets	Municipal Streets	Rubbish Collection	Marina Grant
Revenues				
General operating property taxes	\$ -	\$ -	\$ 2,011,508	\$ -
State of Michigan gas and weight taxes	1,061,083	-	-	-
Fees	-	-	1,580,464	-
Drug forfeitures	-	-	-	-
Grants and entitlements	-	-	-	44,862
Interest on deposits and investments	4,733	-	-	1,124
Sale of materials and services	5	-	22,375	-
Total Revenues	1,065,821	-	3,614,347	45,986
Expenditures				
Current expenditures				
Public safety	-	-	-	-
Highways and streets	1,165,975	-	-	-
Garbage and rubbish	-	-	3,194,465	-
Community services	-	-	-	45,986
Economic development	-	-	-	-
Debt service	-	-	16,793	-
Capital outlay	-	-	-	-
Total Expenditures	1,165,975	-	3,211,258	45,986
Revenues over (under) expenditures	(100,154)	-	403,089	-
Other financing sources (uses)				
Transfers in	123,944	-	2,328	-
Transfers out	(10,587)	-	(6,753)	-
Total Other Financing Sources (Uses)	113,357	-	(4,425)	-
Net change in fund balances	13,203	-	398,664	-
Fund balances (deficits) at beginning of year, as restated	-	-	(92,005)	-
FUND BALANCES AT END OF YEAR	\$ 13,203	\$ -	\$ 306,659	\$ -

Special Revenue Funds				
Police Grants Funds				
Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant	Local Law Enforcement Grant
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	113,512	45,363	72,450	57,488
316	-	-	-	676
-	1,213	-	-	-
316	114,725	45,363	72,450	58,164
257,840	140,707	45,363	92,656	58,164
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
257,840	140,707	45,363	92,656	58,164
(257,524)	(25,982)	-	(20,206)	-
257,524	25,982	-	20,206	-
-	-	-	-	-
257,524	25,982	-	20,206	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -

Continued

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

	Special Revenue Funds			
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant	Boat Launch Operation
Revenues				
General operating property taxes	\$ -	\$ -	\$ -	\$ -
State of Michigan gas and weight taxes	-	-	-	-
Fees	-	49,967	-	19,274
Drug forfeitures	31,443	-	-	-
Grants and entitlements	-	113,199	-	-
Interest on deposits and investments	3,264	484	12,673	-
Sale of materials and services	-	3,988	-	-
Total Revenues	<u>34,707</u>	<u>167,638</u>	<u>12,673</u>	<u>19,274</u>
Expenditures				
Current expenditures				
Public safety	33,735	-	-	-
Highways and streets	-	-	-	-
Garbage and rubbish	-	-	-	-
Community service	-	160,472	-	-
Economic development	-	-	1,688	24,669
Debt service	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>33,735</u>	<u>160,472</u>	<u>1,688</u>	<u>24,669</u>
Revenues over (under) expenditures	<u>972</u>	<u>7,166</u>	<u>10,985</u>	<u>(5,395)</u>
Other financing sources (uses)				
Transfers in	30,279	-	-	-
Transfers out	-	-	(110,390)	-
Total Other Financing Sources (Uses)	<u>30,279</u>	<u>-</u>	<u>(110,390)</u>	<u>-</u>
Net change in fund balances	31,251	7,166	(99,405)	(5,395)
Fund balances (deficits) at beginning of year, as restated	<u>313,118</u>	<u>78,422</u>	<u>601,621</u>	<u>24,778</u>
FUND BALANCES AT END OF YEAR	<u>\$ 344,369</u>	<u>\$ 85,588</u>	<u>\$ 502,216</u>	<u>\$ 19,383</u>

<u>Special Revenue Funds</u>						
<u>Economic</u>	<u>Carl H.</u>		<u>Debt</u>	<u>Capital</u>	<u>Permanent</u>	
<u>Development</u>	<u>Ibershoff</u>	<u>Total</u>	<u>Service</u>	<u>Projects</u>	<u>Fund</u>	<u>Totals</u>
	<u>Trust</u>					
\$ -	\$ -	\$ 2,011,508	\$ -	\$ -	\$ -	\$ 2,011,508
-	-	1,061,083	-	-	-	1,061,083
-	-	1,649,705	-	-	-	1,649,705
-	-	31,443	-	-	-	31,443
300,274	-	747,148	-	14,779	-	761,927
-	-	23,270	557	-	-	23,827
-	-	27,581	-	-	27,122	54,703
<u>300,274</u>	<u>-</u>	<u>5,551,738</u>	<u>557</u>	<u>14,779</u>	<u>27,122</u>	<u>5,594,196</u>
-	-	628,465	-	-	-	628,465
-	-	1,165,975	-	-	-	1,165,975
-	-	3,194,465	-	-	-	3,194,465
-	-	206,458	-	-	6,581	213,039
411,721	-	438,078	-	-	-	438,078
-	-	16,793	-	-	-	16,793
-	-	-	-	14,128	-	14,128
<u>411,721</u>	<u>-</u>	<u>5,650,234</u>	<u>-</u>	<u>14,128</u>	<u>6,581</u>	<u>5,670,943</u>
<u>(111,447)</u>	<u>-</u>	<u>(98,496)</u>	<u>557</u>	<u>651</u>	<u>20,541</u>	<u>(76,747)</u>
110,390	-	570,653	-	-	-	570,653
-	-	(127,730)	(78,550)	-	-	(206,280)
<u>110,390</u>	<u>-</u>	<u>442,923</u>	<u>(78,550)</u>	<u>-</u>	<u>-</u>	<u>364,373</u>
(1,057)	-	344,427	(77,993)	651	20,541	287,626
<u>49,093</u>	<u>2,807</u>	<u>977,834</u>	<u>117,234</u>	<u>25,241</u>	<u>2,466,325</u>	<u>3,586,634</u>
<u>\$ 48,036</u>	<u>\$ 2,807</u>	<u>\$ 1,322,261</u>	<u>\$ 39,241</u>	<u>\$ 25,892</u>	<u>\$ 2,486,866</u>	<u>\$ 3,874,260</u>

CITY OF SAGINAW, MICHIGAN
LOCAL STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	\$ 1,000,000	\$ 1,061,083	\$ 61,083
Interest on deposits and investments	7,000	4,733	(2,267)
Sale of materials and services	3,000	5	(2,995)
Total Revenues	1,010,000	1,065,821	55,821
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	544,534	428,602	(115,932)
Winter maintenance of roads and streets	150,959	197,257	46,298
Traffic services maintenance	168,385	175,921	7,536
Administration	403,809	364,195	(39,614)
Total Expenditures	1,267,687	1,165,975	(101,712)
Revenues over (under) expenditures	(257,687)	(100,154)	157,533
Other financing sources (uses)			
Transfers in	268,274	123,944	(144,330)
Transfers out	(10,587)	(10,587)	-
Total transfers	257,687	113,357	(144,330)
Net change in fund balances	\$ -	13,203	\$ 13,203
Fund balance at beginning of year		-	
FUND BALANCE AT END OF YEAR		\$ 13,203	

CITY OF SAGINAW, MICHIGAN
RUBBISH COLLECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
General operating property taxes	\$ 2,004,864	\$ 2,011,508	\$ 6,644
Fees	1,561,600	1,580,464	18,864
Sale of materials and services	8,185	22,375	14,190
Total Revenues	3,574,649	3,614,347	39,698
Expenditures			
Current expenditures			
Administration	478,380	516,277	37,897
Rubbish collection and disposal	2,099,525	2,377,998	278,473
Recycling and composting	681,144	300,190	(380,954)
Debt service	213,585	16,793	(196,792)
Total Expenditures	3,472,634	3,211,258	(261,376)
Revenues over (under) expenditures	102,015	403,089	301,074
Other financing sources (uses)			
Transfers in	-	2,328	2,328
Transfers out	(6,753)	(6,753)	-
Total transfers	(6,753)	(4,425)	2,328
Net change in fund balances	\$ 95,262	398,664	\$ 303,402
Fund balance (deficit) at beginning of year		(92,005)	
FUND BALANCE AT END OF YEAR		\$ 306,659	

CITY OF SAGINAW, MICHIGAN
POLICE GRANTS FUNDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	\$ 338,123	\$ 288,813	\$ (49,310)
Interest on deposits and investments	-	992	992
Sale of materials and services	-	1,213	1,213
Total Revenues	338,123	291,018	(47,105)
Expenditures			
Current expenditures			
Public safety	665,477	594,730	(70,747)
Revenues (under) expenditures	(327,354)	(303,712)	23,642
Other financing sources			
Transfers in	384,311	303,712	(80,599)
Net change in fund balances	<u>\$ 56,957</u>	-	<u>\$ (56,957)</u>
Fund balances at beginning of year, as restated		-	
FUND BALANCES AT END OF YEAR		<u>\$ -</u>	

CITY OF SAGINAW, MICHIGAN
DRUG FORFEITURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Drug forfeitures	\$ 56,000	\$ 31,443	\$ (24,557)
Interest on deposits and investments	<u>2,000</u>	<u>3,264</u>	<u>1,264</u>
Total Revenues	58,000	34,707	(23,293)
Expenditures			
Current expenditures			
Public safety	<u>146,455</u>	<u>33,735</u>	<u>(112,720)</u>
Revenues over (under) expenditures	(88,455)	972	89,427
Other financing sources (uses)			
Transfers in	<u>-</u>	<u>30,279</u>	<u>30,279</u>
Net change in fund balances	<u>\$ (88,455)</u>	31,251	<u>\$ 119,706</u>
Fund balance at beginning of year		<u>313,118</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 344,369</u>	

CITY OF SAGINAW, MICHIGAN
ANDERSEN CENTER OPERATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	\$ 50,000	\$ 49,967	\$ (33)
Grants and entitlements	-	113,199	113,199
Interest on deposits and investments	-	484	484
Sale of materials and services	-	3,988	3,988
Total Revenues	50,000	167,638	117,638
Expenditures			
Current expenditures			
Community service	164,913	160,472	(4,441)
Net change in fund balances	<u>\$ (114,913)</u>	7,166	<u>\$ 122,079</u>
Fund balance at beginning of year		<u>78,422</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 85,588</u>	

CITY OF SAGINAW, MICHIGAN
BOAT LAUNCH OPERATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	\$ 26,179	\$ 19,274	\$ (6,905)
Interest on deposits and investments	500	-	(500)
Total Revenues	26,679	19,274	(7,405)
Expenditures			
Current expenditures			
Community services	26,679	24,669	(2,010)
Net change in fund balances	<u>\$ -</u>	(5,395)	<u>\$ (5,395)</u>
Fund balance at beginning of year		<u>24,778</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 19,383</u>	

CITY OF SAGINAW, MICHIGAN
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2005

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	\$ 338,123	\$ 300,274	\$ (37,849)
Expenditures			
Current expenditures			
Economic development	<u>665,477</u>	<u>411,721</u>	<u>(253,756)</u>
Revenues (under) expenditures	<u>(327,354)</u>	<u>(111,447)</u>	<u>(215,907)</u>
Other financing sources			
Transfers in	<u>384,311</u>	<u>110,390</u>	<u>(273,921)</u>
Net change in fund balances	<u>\$ 56,957</u>	(1,057)	<u>\$ (58,014)</u>
Fund balances at beginning of year		<u>49,093</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 48,036</u>	

NON-MAJOR ENTERPRISE FUNDS

PARKING FUND

Revenues and expenses relating to the operation of the parking system are recorded in the Parking Fund. Assets of the parking system are also recorded here.

WAVE POOL FUND

The fund accounts for the operation, maintenance and debt service expenses of the wave pool complex. Receipts from admissions, rentals, concessions and swim lessons are also recorded here.

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2005

	<u>Parking</u>	<u>Wave Pool</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 625	\$ 86,216	\$ 86,841
Accounts receivable, net of allowances	215,563	-	215,563
Due from other funds	49	-	49
Investments	-	1,092	1,092
	<u>216,237</u>	<u>87,308</u>	<u>303,545</u>
Total Current Assets			
Capital Assets			
Land	201,203	-	201,203
Buildings and improvements	8,210,589	3,458,870	11,669,459
Plant and office equipment	578,270	69,139	647,409
Less allowances for depreciation	<u>(8,577,610)</u>	<u>(2,459,428)</u>	<u>(11,037,038)</u>
Net Capital Assets	<u>412,452</u>	<u>1,068,581</u>	<u>1,481,033</u>
TOTAL ASSETS	<u>\$ 628,689</u>	<u>\$ 1,155,889</u>	<u>\$ 1,784,578</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities			
Due to other funds	\$ 608,422	\$ -	\$ 608,422
Accounts payable	4,588	-	4,588
Accrued wages payable	<u>2,296</u>	<u>-</u>	<u>2,296</u>
Total Current Liabilities	615,306	-	615,306
Long-term liabilities			
Accrued sick and vacation/PTO payable	<u>10,169</u>	<u>-</u>	<u>10,169</u>
Total Liabilities	<u>625,475</u>	<u>-</u>	<u>625,475</u>
Net assets			
Investment in capital assets	412,452	1,068,581	1,481,033
Unrestricted (deficit)	<u>(409,238)</u>	<u>87,308</u>	<u>(321,930)</u>
Total Net Assets	<u>3,214</u>	<u>1,155,889</u>	<u>1,159,103</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 628,689</u>	<u>\$ 1,155,889</u>	<u>\$ 1,784,578</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2005

	<u>Parking</u>	<u>Wave Pool</u>	<u>Totals</u>
Operating revenues			
Parking ramps	\$ 29,875	\$ -	\$ 29,875
Parking lots	148,739	-	148,739
Parking fines and tickets	325,859	-	325,859
	<u>504,473</u>	<u>-</u>	<u>504,473</u>
Total Operating Revenues			
Operating expenses			
Salaries	69,529	-	69,529
Employee benefits	86,819	-	86,819
Contractual services	34,641	-	34,641
Internal user charges	33,549	-	33,549
Insurance	19,229	-	19,229
Utilities	47,445	-	47,445
Supplies and materials	12,946	-	12,946
Depreciation	218,533	141,807	360,340
Other	8,064	-	8,064
	<u>530,755</u>	<u>141,807</u>	<u>672,562</u>
Total Operating Expenses			
Operating Income (Loss)	(26,282)	(141,807)	(168,089)
Nonoperating revenues (expenses)			
Interest on investments	-	1,450	1,450
	<u>-</u>	<u>1,450</u>	<u>1,450</u>
Net Income (Loss) Before Transfers	(26,282)	(140,357)	(166,639)
Transfers			
Transfers out	(1,966)	-	(1,966)
	<u>(1,966)</u>	<u>-</u>	<u>(1,966)</u>
Change in Net Assets	(28,248)	(140,357)	(168,605)
Net assets at beginning of year	31,462	1,296,246	1,327,708
	<u>31,462</u>	<u>1,296,246</u>	<u>1,327,708</u>
NET ASSETS AT END OF YEAR	\$ 3,214	\$ 1,155,889	\$ 1,159,103
	<u>\$ 3,214</u>	<u>\$ 1,155,889</u>	<u>\$ 1,159,103</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2005

	Parking	Wave Pool	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 383,711	\$ -	\$ 383,711
Payments to suppliers	(125,919)	-	(125,919)
Payments to employees	(154,867)	-	(154,867)
Payments for interfund services used	(100,334)	-	(100,334)
Net Cash Provided By (Used For) Operating Activities	2,591	-	2,591
Cash flows from noncapital financing activities:			
Transfers out	(1,966)	-	(1,966)
Cash flows from investing activities:			
Purchase of investment securities	-	(1,070)	(1,070)
Interest on investments	-	1,450	1,450
Net Cash Provided By Investing Activities	-	380	380
Increase (Decrease) in cash and cash equivalents	625	380	1,005
Cash and cash equivalents at beginning of year	-	85,836	85,836
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 625</u>	<u>\$ 86,216</u>	<u>\$ 86,841</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (26,282)	\$ (141,807)	\$ (168,089)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	218,533	141,807	360,340
(Increase) Decrease in assets:			
Accounts receivable	(120,762)	-	(120,762)
Due from other funds	(49)	-	(49)
Increase (Decrease) in liabilities:			
Due to other funds	(66,736)	-	(66,736)
Accounts payable	(3,594)	-	(3,594)
Accrued wages payable	(2,645)	-	(2,645)
Accrued sick and vacation/PTO payable	4,126	-	4,126
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,591</u>	<u>\$ -</u>	<u>\$ 2,591</u>

INTERNAL SERVICE FUNDS

INFORMATION SERVICES FUND

Computer and information services are provided to City operating departments through this fund. The operation is financed by service charges levied against user departments and service contracts with other governmental agencies.

GIS FUND

This fund is used to account for the development and operations of a City-wide geographic information system. Money for the operation of this fund is supplied from contributions from other City funds.

MOTOR POOL FUND

This fund is responsible for acquiring and maintaining vehicles and other motorized equipment for use in general City operations. The costs of maintenance and replacement are recovered through rental rates charged to City operations using the vehicles and equipment.

CENTRAL STORES FUND

This operation inventories and supplies to operating departments office supplies, postage, small hand tools, parts and other products needed in everyday operations. All incoming, outgoing and inter-departmental mail is processed by this operation. Offset printing and other duplicating services are also provided to City departments. Costs are recovered through user charges.

RADIO FUND

This fund acquires, installs and maintains two-way radio equipment for use by City operating departments. Rental fees are charged to using departments to recover the cost of maintaining and replacing equipment.

SELF INSURANCE FUND

This fund was established by City Council to serve as a general insurance reserve for liabilities and claims not covered by commercial carriers or to pay deductibles. This fund accounts for the payment of insurance premiums, the distribution of insurance costs to other City funds and records the insurance claims liability.

WORKERS' COMPENSATION FUND

This fund accounts for all expenses, revenues and claims liability relating to the City's self-insured workers' compensation program. Premiums are charged to other City funds based on budgeted salaries.

INTERNAL SERVICE FUNDS

(continued)

PTO LIABILITY FUND

This fund was established to start funding the unfunded sick and vacation liability that has accrued to City employees over the years. Payoffs upon retirement for unused days will continue to be charged to other funds until this fund has sufficient dollars accumulated. Amounts are charged to other City funds based on the actual value of accrued sick and vacation/PTO days for each employee.

PUBLIC EMPLOYEE HEALTHCARE

This fund was established to start funding the unfunded health insurance premiums that are fully paid for all City retirees. The unfunded liability is estimated at \$115 million.

PUBLIC WORKS BUILDING FUND

This fund was established to account for all operating and capital expenses required to maintain the Public Works Service Center. Rent is charged to the departments occupying the building based on square footage.

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005

	Information Services	GIS	Motor Pool	Central Stores
ASSETS				
Current assets				
Cash and cash equivalents	\$ 293,413	\$ 78,444	\$ 18,860	\$ 15,812
Investments	-	-	-	-
Due from other funds	61	-	382	-
Accounts receivable	2,094	716	5,430	847
Accrued interest receivable	-	-	-	-
Inventories	-	-	208,930	4,743
Prepaid insurance	-	-	-	-
Total Current Assets	295,568	79,160	233,602	21,402
Capital assets				
Buildings and improvements	-	-	189,146	-
Plant and office equipment	316,075	107,199	140,567	97,263
Vehicular and radio equipment	-	-	5,672,734	-
Less allowances for depreciation	(222,187)	(56,552)	(4,614,062)	(97,263)
Net capital assets	93,888	50,647	1,388,385	-
TOTAL ASSETS	\$ 389,456	\$ 129,807	\$ 1,621,987	\$ 21,402
LIABILITIES AND NET ASSETS				
Current liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,424	538	20,995	1,983
Accrued wages payable	12,123	4,333	17,497	542
Due to other governments	-	-	-	175
Accrued interest payable	-	-	457	-
Current portion of long-term debt	-	-	51,101	-
Total Current Liabilities	14,547	4,871	90,050	2,700
Long-term liabilities				
Workers' comp claims payable	-	-	-	-
Insurance claims payable	-	-	-	-
Accrued sick and vacation/PTO payable	107,205	14,637	115,094	3,171
Bonds and contracts payable	-	-	-	-
Total Long-term Liabilities	107,205	14,637	115,094	3,171
Total Liabilities	121,752	19,508	205,144	5,871
Net assets (deficits)				
Investment in capital assets, net of related debt	93,888	50,647	1,337,284	-
Restricted for:				
Sick and vacation	-	-	-	-
Health insurance premiums	-	-	-	-
Unrestricted	173,816	59,652	79,559	15,531
Total Net Assets (Deficits)	267,704	110,299	1,416,843	15,531
TOTAL LIABILITIES AND NET ASSETS	\$ 389,456	\$ 129,807	\$ 1,621,987	\$ 21,402

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Employee Healthcare	Public Works Building	Totals
\$ 165,542	\$ 251,706	\$ 388,617	\$ -	\$ 52,015	\$ 18,854	\$ 1,283,263
-	307,071	-	663,183	1,172,928	-	2,143,182
854,934	-	1,221,548	-	-	31	2,076,956
18	8,069	-	-	-	377	17,551
-	-	-	20,656	-	-	20,656
-	-	-	-	-	-	213,673
-	81,658	-	-	-	-	81,658
1,020,494	648,504	1,610,165	683,839	1,224,943	19,262	5,836,939
-	-	-	-	-	-	189,146
3,435	-	-	-	-	-	664,539
1,149,404	-	-	-	-	-	6,822,138
(998,786)	-	-	-	-	-	(5,988,850)
154,053	-	-	-	-	-	1,686,973
<u>\$ 1,174,547</u>	<u>\$ 648,504</u>	<u>\$ 1,610,165</u>	<u>\$ 683,839</u>	<u>\$ 1,224,943</u>	<u>\$ 19,262</u>	<u>\$ 7,523,912</u>

\$ -	\$ 4,302	\$ -	\$ 4,400	\$ -	\$ -	\$ 8,702
2,863	22,146	9,995	-	-	4,963	65,907
36	-	763	-	-	3,059	38,353
1,531	-	-	-	-	-	1,706
-	-	-	-	-	-	457
-	65,000	-	-	-	-	116,101
4,430	91,448	10,758	4,400	-	8,022	231,226
-	-	2,390,339	-	-	-	2,390,339
-	603,651	-	-	-	-	603,651
-	-	-	-	-	10,029	250,136
-	220,000	-	-	-	-	220,000
-	823,651	2,390,339	-	-	10,029	3,464,126
4,430	915,099	2,401,097	4,400	-	18,051	3,695,352
154,053	-	-	-	-	-	1,635,872
-	-	-	679,439	-	-	679,439
-	-	-	-	1,224,943	-	1,224,943
1,016,064	(266,595)	(790,932)	-	-	1,211	288,306
1,170,117	(266,595)	(790,932)	679,439	1,224,943	1,211	3,828,560
<u>\$ 1,174,547</u>	<u>\$ 648,504</u>	<u>\$ 1,610,165</u>	<u>\$ 683,839</u>	<u>\$ 1,224,943</u>	<u>\$ 19,262</u>	<u>\$ 7,523,912</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

	Information Services	GIS	Motor Pool	Central Stores
Operating revenues				
Charges for services	\$ 1,524,053	\$ 357,835	\$ 2,226,030	\$ 233,033
Sale of materials and services	233	13,432	987	-
Total Operating Revenues	1,524,286	371,267	2,227,017	233,033
Operating expenses				
Cost of goods sold	-	-	-	132,948
Salaries	476,429	153,967	409,118	34,499
Employee benefits	259,491	63,096	383,299	44,959
Contractual services	456,023	111,400	253,105	17,673
Internal user charges	80,400	30,110	288,042	6,073
Insurance	23,882	3,831	150,779	-
Utilities	46,996	-	7,194	-
Supplies and materials	90,591	12,834	201,498	10,403
Claims and judgments	-	-	-	-
Depreciation	45,111	18,623	448,526	2,817
Other	34,682	2,193	2,917	-
Net Operating Expenses	1,513,605	396,054	2,144,478	249,372
Operating Income (Loss)	10,681	(24,787)	82,539	(16,339)
Nonoperating revenues (expenses)				
Interest on investments	5,685	-	-	-
Gain (loss) on sale of investments	-	-	-	-
Gain (loss) on disposal of equipment	-	-	(4,903)	-
Interest expense on bonded indebtedness	-	-	(20,814)	-
Total Nonoperating Revenues (Expenses)	5,685	-	(25,717)	-
Net Income (Loss) Before Transfers	16,366	(24,787)	56,822	(16,339)
Transfers				
Transfers in	-	-	-	-
Transfers out	(2,581)	(662)	(6,778)	(674)
Net Transfers	(2,581)	(662)	(6,778)	(674)
Change in Net Assets	13,785	(25,449)	50,044	(17,013)
Net assets (deficits) at beginning of year, as restated	253,919	135,748	1,366,799	32,544
NET ASSETS (DEFICITS) AT END OF YEAR	\$ 267,704	\$ 110,299	\$ 1,416,843	\$ 15,531

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Employee Healthcare	Public Works Building	Totals
\$ 118,768	\$ 1,713,645	\$ 1,256,755	\$ -	\$ -	\$ 267,963	\$ 7,698,082
-	-	-	-	-	-	14,652
118,768	1,713,645	1,256,755	-	-	267,963	7,712,734
-	-	-	-	-	-	132,948
4,307	-	46,460	-	-	73,088	1,197,868
3,049	-	2,904	-	-	36,733	793,531
14,025	62,766	124,377	-	-	21,312	1,060,681
4,416	-	7,044	-	-	-	416,085
8,461	1,299,830	-	-	-	12,061	1,498,844
-	-	969	-	-	114,227	169,386
9,237	-	4,307	-	-	9,988	338,858
-	(55,320)	907,669	-	-	-	852,349
39,059	-	-	-	-	-	554,136
-	-	654	-	-	-	40,446
82,554	1,307,276	1,094,384	-	-	267,409	7,055,132
36,214	406,369	162,371	-	-	554	657,602
15,091	12,264	11,731	24,603	25,509	-	94,883
-	-	-	-	34,248	-	34,248
-	-	-	-	-	-	(4,903)
-	(18,550)	-	-	-	-	(39,364)
15,091	(6,286)	11,731	24,603	59,757	-	84,864
51,305	400,083	174,102	24,603	59,757	554	742,466
-	78,550	-	-	300,000	-	378,550
(330)	-	-	(347,002)	-	(662)	(358,689)
(330)	78,550	-	(347,002)	300,000	(662)	19,861
50,975	478,633	174,102	(322,399)	359,757	(108)	762,327
1,119,142	(745,228)	(965,034)	1,001,838	865,186	1,319	3,066,233
\$ 1,170,117	\$ (266,595)	\$ (790,932)	\$ 679,439	\$ 1,224,943	\$ 1,211	\$ 3,828,560

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

	Information Services	GIS	Motor Pool
Cash flows from operating activities:			
Receipts from interfund services provided	\$ 1,563,933	\$ 472,529	\$ 2,231,238
Payments to suppliers	(712,015)	(140,294)	(614,789)
Payments to employees	(730,836)	(212,266)	(779,357)
Payments for interfund services used	(80,400)	(30,110)	(334,817)
Net Cash Provided By (Used For) Operating Activities	40,682	89,859	502,275
Cash flows from noncapital financing activities:			
Transfers in	-	-	-
Transfers out	(2,581)	(662)	(6,778)
Net Cash Provided By (Used For) Noncapital Financing Activities	(2,581)	(662)	(6,778)
Cash flows from capital and related financing activities:			
Purchases of property and equipment	-	(22,101)	(247,718)
Proceeds from sale of equipment	-	-	47,522
Principal paid on long-term debt	-	-	(258,665)
Interest paid on long-term debt	-	-	(17,776)
Net Cash Provided By (Used For) Capital and Related Financing Activities	-	(22,101)	(476,637)
Cash flows from investing activities:			
Purchase of investment securities	-	-	-
Proceeds from sale and maturities of investment securities	-	-	-
Interest on investments	5,685	-	-
Net Cash Provided By (Used For) Investing Activities	5,685	-	-
Increase (Decrease) in cash and cash equivalents	43,786	67,096	18,860
Cash and cash equivalents at beginning of year	249,627	11,348	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 293,413</u>	<u>\$ 78,444</u>	<u>\$ 18,860</u>
Cash flows from operating activities:			
Operating income (loss)	\$ 10,681	\$ (24,787)	\$ 82,539
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	45,111	18,623	448,526
Changes in assets and liabilities:			
Due from other funds	36,526	100,000	(382)
Accounts receivable	3,121	1,262	4,603
Inventories	-	-	25,438
Prepaid insurance	-	-	-
Due to other funds	-	-	(46,775)
Accounts payable	(59,841)	(10,036)	(24,734)
Accrued wages payable	(19,175)	294	(2,427)
Due to other governments	-	-	-
Claims payable	-	-	-
Accrued sick and vacation/PTO payable	24,259	4,503	15,487
Net Cash Provided By (Used For) Operating Activities	<u>\$ 40,682</u>	<u>\$ 89,859</u>	<u>\$ 502,275</u>

Central Stores	Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Employee Healthcare	Public Works Building	Totals
\$ 233,603	\$ (260,752)	\$ 1,705,576	\$ 1,262,329	\$ -	\$ -	\$ 268,384	\$ 7,476,840
(138,562)	(28,995)	(1,419,267)	(975,532)	-	-	(160,200)	(4,189,654)
(82,163)	(9,334)	-	(50,934)	-	-	(105,543)	(1,970,433)
(6,073)	(4,416)	4,302	(7,044)	(3,711)	-	-	(462,269)
6,805	(303,497)	290,611	228,819	(3,711)	-	2,641	854,484
-	-	78,550	-	-	300,000	-	378,550
(674)	(330)	-	-	(347,002)	-	(662)	(358,689)
(674)	(330)	78,550	-	(347,002)	300,000	(662)	19,861
-	-	-	-	-	-	-	(269,819)
-	-	-	-	-	-	-	47,522
-	-	(60,000)	-	-	-	-	(318,665)
-	-	(18,550)	-	-	-	-	(36,326)
-	-	(78,550)	-	-	-	-	(577,288)
-	-	(300,583)	-	-	(359,757)	-	(660,340)
-	-	-	-	322,211	34,248	-	356,459
-	15,091	12,264	11,731	28,502	25,509	-	98,782
-	15,091	(288,319)	11,731	350,713	(300,000)	-	(205,099)
6,131	(288,736)	2,292	240,550	-	-	1,979	91,958
9,681	454,278	249,414	148,067	-	52,015	16,875	1,191,305
<u>\$ 15,812</u>	<u>\$ 165,542</u>	<u>\$ 251,706</u>	<u>\$ 388,617</u>	<u>\$ -</u>	<u>\$ 52,015</u>	<u>\$ 18,854</u>	<u>\$ 1,283,263</u>
\$ (16,339)	\$ 36,214	\$ 406,369	\$ 162,371	\$ -	\$ -	\$ 554	\$ 657,602
2,817	39,059	-	-	-	-	-	554,136
-	(379,934)	-	5,574	-	-	(31)	(238,247)
570	414	(8,069)	-	-	-	452	2,353
23,510	-	-	-	-	-	-	48,948
-	-	(5,026)	-	-	-	-	(5,026)
-	-	4,302	-	(3,711)	-	-	(46,184)
(1,048)	2,728	(36,422)	(20,833)	-	-	(2,612)	(152,798)
(1,841)	(2,965)	-	(1,570)	-	-	1,151	(26,533)
175	987	-	-	-	-	-	1,162
-	-	(70,543)	83,277	-	-	-	12,734
(1,039)	-	-	-	-	-	3,127	46,337
<u>\$ 6,805</u>	<u>\$ (303,497)</u>	<u>\$ 290,611</u>	<u>\$ 228,819</u>	<u>\$ (3,711)</u>	<u>\$ -</u>	<u>\$ 2,641</u>	<u>\$ 854,484</u>

FIDUCIARY FUNDS

POLICEMEN AND FIREMEN PENSION FUND

Assets accumulated for the payment of retirement benefits for City Police and Fire personnel are recorded in this fund. Benefits for retired members are paid from this fund and active members contribute to the pension system through payroll deductions. The City contributes to the fund by an annual appropriation from the General Fund which is determined and set by an annual actuarial valuation.

AGENCY FUNDS

These funds are used to account for property taxes collected by the City for other units of government until the tax proceeds are remitted to them. Funds retained from contractors during construction projects and employee and employer payroll withholdings and benefits are also recorded here.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF PLAN NET ASSETS
POLICEMEN AND FIREMEN PENSION FUND
As of June 30, 2005 and 2004

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
<u>ASSETS</u>		
Cash and cash equivalents	<u>\$ 1,614,257</u>	<u>\$ 6,062,264</u>
Investments, at market value		
Money market funds	2,351,980	4,656,073
U.S. Treasury obligations	6,461,528	5,617,596
U.S. Government agencies	19,154,460	2,658,735
U.S. Government securities	-	10,591,139
Corporate bonds	-	12,701,970
Corporate and foreign bonds	19,221,079	5,327,656
Common equity securities	47,827,364	46,382,809
Equity mutual funds	<u>28,386,204</u>	<u>27,177,842</u>
 Total Investments	 <u>123,402,615</u>	 <u>115,113,820</u>
 Accrued interest receivable	 <u>425,591</u>	 <u>189,509</u>
 Total Assets	 <u>125,442,463</u>	 <u>121,365,593</u>
 <u>LIABILITIES</u>		
Accounts payable	3,168,130	40,312
Accrued wages payable	<u>334,370</u>	<u>704,539</u>
 Total Liabilities	 <u>3,502,500</u>	 <u>744,851</u>
 Net Assets Held In Trust for Pension Benefits	 <u><u>\$ 121,939,963</u></u>	 <u><u>\$ 120,620,742</u></u>

A schedule of funding progress for this plan is presented in on page 57.

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2005

	Intermediate School Tax Collection	Saginaw County Tax Collection	School District Tax Collection	State Education Tax Collection	Delta College Tax Collection
<u>ASSETS</u>					
Cash and cash equivalents	\$ 21,894	\$ 73,569	\$ 244,161	\$ 65,990	\$ 25,270
Accounts receivable	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Taxes receivable for other governmental units	50,234	199,494	448,718	142,832	56,651
TOTAL ASSETS	\$ 72,128	\$ 273,063	\$ 692,879	\$ 208,822	\$ 81,921
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	72,128	273,063	692,879	208,822	81,921
Other current liabilities	-	-	-	-	-
TOTAL LIABILITIES	\$ 72,128	\$ 273,063	\$ 692,879	\$ 208,822	\$ 81,921

Public Libraries Tax Collection	Saginaw Transit Tax Collection	Undistributed Tax Collection	Contractor's Retainage	Employee Benefits	Housing Commission	Totals
\$ 44,187	\$ 5,184	\$ 438,853	\$ 3,441	\$ 175,644	\$ -	\$ 1,098,193
-	-	215,761	-	-	74,073	289,834
-	-	-	-	902,395	-	902,395
95,684	59,135	-	-	-	-	1,052,748
<u>\$ 139,871</u>	<u>\$ 64,319</u>	<u>\$ 654,614</u>	<u>\$ 3,441</u>	<u>\$ 1,078,039</u>	<u>\$ 74,073</u>	<u>\$ 3,343,170</u>
\$ -	\$ 1,852	\$ 45,912	\$ 3,441	\$ 1,053,387	\$ 7,848	\$ 1,112,440
139,871	62,467	608,702	-	-	29,923	2,169,776
-	-	-	-	24,652	36,302	60,954
<u>\$ 139,871</u>	<u>\$ 64,319</u>	<u>\$ 654,614</u>	<u>\$ 3,441</u>	<u>\$ 1,078,039</u>	<u>\$ 74,073</u>	<u>\$ 3,343,170</u>

COMPONENT UNITS

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
TIFA COMPONENT UNITS
June 30, 2005

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Net Assets
<u>ASSETS</u>					
Cash and cash equivalents	\$ 4,636	\$ 26,120	\$ 30,756	\$ -	\$ 30,756
Property taxes receivable	549	14	563	-	563
TOTAL ASSETS	<u><u>\$ 5,185</u></u>	<u><u>\$ 26,134</u></u>	<u><u>\$ 31,319</u></u>	<u><u>\$ -</u></u>	<u><u>31,319</u></u>
 <u>LIABILITIES</u>					
Deferred revenue	\$ 549	\$ 14	\$ 563	\$ (563)	-
 <u>FUND BALANCES/NET ASSETS</u>					
Reserved for:					
TIFA/LDFA projects	<u>4,636</u>	<u>26,120</u>	<u>30,756</u>	<u>(30,756)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,185</u></u>	<u><u>\$ 26,134</u></u>	<u><u>\$ 31,319</u></u>		
 NET ASSETS, UNRESTRICTED				<u><u>\$ 31,319</u></u>	<u><u>\$ 31,319</u></u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TIFA COMPONENT UNITS
For the Year Ended June 30, 2005

	<u>Saginaw Division TIFA</u>	<u>Morley TIFA</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues					
General operating property taxes	\$ 116	\$ -	\$ 116	\$ (116)	\$ -
Fund balances/net assets at beginning of year	<u>4,520</u>	<u>26,120</u>	<u>30,640</u>	<u>679</u>	<u>31,319</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u>\$ 4,636</u>	<u>\$ 26,120</u>	<u>\$ 30,756</u>	<u>\$ 563</u>	<u>\$ 31,319</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DDA COMPONENT UNITS
June 30, 2005

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
<u>ASSETS</u>			
Cash and cash equivalents	\$ 7,324	\$ 12,936	\$ 105,571
Notes receivable	-	-	81,250
Property taxes receivable	195	1,031	21,610
 TOTAL ASSETS	 <u>\$ 7,519</u>	 <u>\$ 13,967</u>	 <u>\$ 208,431</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ 5,108
Deferred revenue	195	1,031	102,860
 Total Liabilities	 195	 1,031	 107,968
 <u>FUND BALANCES/NET ASSETS</u>			
Reserved for:			
Specific Projects	7,324	12,936	100,463
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 7,519</u>	 <u>\$ 13,967</u>	 <u>\$ 208,431</u>

Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 125,831	\$ -	\$ 125,831
81,250	-	81,250
<u>22,836</u>	<u>-</u>	<u>22,836</u>
<u>\$ 229,917</u>	<u>\$ -</u>	<u>229,917</u>

\$ 5,108	\$ -	5,108
<u>104,086</u>	<u>(104,086)</u>	<u>-</u>
109,194	(104,086)	5,108
<u>120,723</u>	<u>(120,723)</u>	<u>-</u>
<u>\$ 229,917</u>		

NET ASSETS, UNRESTRICTED	<u>\$ 224,809</u>	<u>\$ 224,809</u>
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CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DDA COMPONENT UNITS
For the Year Ended June 30, 2005

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
Revenues			
General operating property taxes	\$ 27,113	\$ 2,349	\$ 14,788
Fees and loan repayments	-	-	92,945
Interest on loans and investments	-	-	4,537
Total Revenues	<u>27,113</u>	<u>2,349</u>	<u>112,270</u>
Expenditures/Expenses			
Current expenditures/expenses			
Administration	-	-	82,948
Tax increment payments	<u>22,400</u>	<u>-</u>	<u>3,911</u>
Total Expenditures/Expenses	<u>22,400</u>	<u>-</u>	<u>86,859</u>
Net change in fund balances/net assets	4,713	2,349	25,411
Fund balances/net assets at beginning of year	<u>2,611</u>	<u>10,587</u>	<u>75,052</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u>\$ 7,324</u>	<u>\$ 12,936</u>	<u>\$ 100,463</u>

<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 44,250	\$ 3,651	\$ 47,901
92,945	(81,250)	11,695
<u>4,537</u>	<u>-</u>	<u>4,537</u>
 141,732	 (77,599)	 64,133
 82,948	 -	 82,948
<u>26,311</u>	<u>-</u>	<u>26,311</u>
 109,259	 -	 109,259
 32,473	 (77,599)	 (45,126)
<u>88,250</u>	<u>181,685</u>	<u>269,935</u>
 \$ 120,723	 \$ 104,086	 \$ 224,809
<u><u>120,723</u></u>	<u><u>104,086</u></u>	<u><u>224,809</u></u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
LDFA COMPONENT UNITS
June 30, 2005

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,240,858	\$ 343,393	\$ 529,226
Property taxes receivable	40	2	73,417
Accrued interest receivable	3,456	-	-
TOTAL ASSETS	<u>\$ 2,244,354</u>	<u>\$ 343,395</u>	<u>\$ 602,643</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	40	-	73,417
Total Liabilities	40	-	73,417
<u>FUND BALANCES/NET ASSETS</u>			
Reserved for:			
TIFA/LDFA projects (deficit)	<u>2,244,314</u>	<u>343,395</u>	<u>529,226</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,244,354</u>	<u>\$ 343,395</u>	<u>\$ 602,643</u>

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 34,817	\$ 4,513	\$ 7,080	\$ 3,159,887	\$ -	\$ 3,159,887
365	-	-	73,824	-	73,824
-	-	-	3,456	-	3,456
<u>\$ 35,182</u>	<u>\$ 4,513</u>	<u>\$ 7,080</u>	<u>\$ 3,237,167</u>	<u>\$ -</u>	<u>3,237,167</u>
\$ -	\$ -	\$ 20,324	\$ 20,324	\$ -	20,324
365	-	-	73,822	(73,822)	-
365	-	20,324	94,146	(73,822)	20,324
<u>34,817</u>	<u>4,513</u>	<u>(13,244)</u>	<u>3,143,021</u>	<u>(3,143,021)</u>	<u>-</u>
<u>\$ 35,182</u>	<u>\$ 4,513</u>	<u>\$ 7,080</u>	<u>\$ 3,237,167</u>		
NET ASSETS, UNRESTRICTED				<u>\$ 3,216,843</u>	<u>\$ 3,216,843</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
LDFA COMPONENT UNITS
For the Year Ended June 30, 2005

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
Revenues			
General operating property taxes	\$ 141,707	\$ 24,382	\$ 33,779
Interest on loans and investments	34,971	-	-
Total Revenues	176,678	24,382	33,779
Expenditures/Expenses			
Current			
Tax increment payments	-	-	-
Net change in fund balances/net assets	176,678	24,382	33,779
Fund balances/net assets at beginning of year	2,067,636	319,013	495,447
FUND BALANCES/NET ASSETS (Deficit)			
AT END OF YEAR	\$ 2,244,314	\$ 343,395	\$ 529,226

<u>Treasure Island LDFA</u>	<u>Saginaw Machine Systems LDFA</u>	<u>Saginaw Tool and Die LDFA</u>	<u>Total Governmental Funds</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$ 8,462	\$ -	\$ 43,653	\$ 251,983	\$ (236,388)	\$ 15,595
-	-	-	34,971	-	34,971
8,462	-	43,653	286,954	(236,388)	50,566
-	-	67,890	67,890	-	67,890
8,462	-	(24,237)	219,064	(236,388)	(17,324)
26,355	4,513	10,993	2,923,957	310,210	3,234,167
<u>\$ 34,817</u>	<u>\$ 4,513</u>	<u>\$ (13,244)</u>	<u>\$ 3,143,021</u>	<u>\$ 73,822</u>	<u>\$ 3,216,843</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BROWNFIELD COMPONENT UNIT
June 30, 2005

	Brownfield Authority SRRF	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 45,582	\$ -	\$ 45,582
Due from other governmental units	23,179	-	23,179
Property taxes receivable	331	-	331
 TOTAL ASSETS	 \$ 69,092	 \$ -	 69,092
 <u>LIABILITIES</u>			
Deferred revenue	\$ 331	\$ (331)	-
 <u>FUND BALANCES/NET ASSETS</u>			
Reserved for:			
Specific Projects	68,761	(68,761)	-
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 69,092		
 NET ASSETS, UNRESTRICTED		 \$ 69,092	 \$ 69,092

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BROWNFIELD COMPONENT UNIT
For the Year Ended June 30, 2005

	Brownfield Authority SRRF	Adjustments	Statement of Activities
Revenues			
General operating property taxes	\$ 17,542	\$ 93	\$ 17,635
Grants and entitlements	<u>23,448</u>	<u>-</u>	<u>23,448</u>
Total Revenues	<u>40,990</u>	<u>93</u>	<u>41,083</u>
Expenditures/Expenses			
Current			
Grant expenditures/expenses	23,448	-	23,448
Tax increment payments	<u>5,013</u>	<u>-</u>	<u>5,013</u>
Total Expenditures/Expenses	<u>28,461</u>	<u>-</u>	<u>28,461</u>
Net change in fund balances/net assets	12,529	93	12,622
Fund balances/net assets at beginning of year	<u>56,232</u>	<u>238</u>	<u>56,470</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u>\$ 68,761</u>	<u>\$ 331</u>	<u>\$ 69,092</u>



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 9, 2006

Honorable Mayor and
Members of City Council
City of Saginaw
Saginaw, MI 48601

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the ***City of Saginaw, Michigan's*** basic financial statements and have issued our report thereon dated June 9, 2006. The report on the aggregate discretely presented component units was qualified as a result of the exclusion of the Saginaw Economic Development Corporation, which is required to be included in the reporting entity for the ***City of Saginaw, Michigan***, under general accepting accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ***City of Saginaw, Michigan's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ***City of Saginaw, Michigan's*** ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2004-1 through 2004-10, and 2005-1 through 2005-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-1, 2004-1 through 2004-7, 2005-1 and 2005-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *City of Saginaw, Michigan's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Of the reportable conditions described above, we consider items 2004-7, 2004-10, 2005-2 and 2005-3 to be instances of noncompliance.

This report is intended solely for the information and use of the City management and the City Council and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

City of Saginaw, Michigan
Schedule of Findings and Questioned Costs
June 30, 2005

2003-1	Reportable Condition Considered to be a Material Weakness
Criteria:	A strong system of internal controls mandates that general ledger account balances are properly reconciled to a subsidiary ledger or other adequate supportive documentation on a periodic basis.
Condition:	The City does not reconcile their general ledger accounts, such as cash, income tax revenue, and receivables, to supportive documentation during the year, which requires many significant adjustments to properly state the accounts at year end. The lack of reconciliations also affects the proper reporting of expenditures under the City's various grant agreements.
Questioned Costs:	None
Effect:	Many of the City's general ledger account balances became materially misstated during the year and were not properly reconciled until after June 30, 2003. This situation caused internally generated financial reports to be misstated and placed the City at risk of having assets misappropriated and not being detected by City officials within a reasonable period of time.
Cause:	Many factors are responsible for this situation; however, the main reason was that the Controller's office does not have sufficient, competent personnel to perform these duties. There was also significant turnover in key accounting positions, particularly the Controller and Finance Director/Treasurer.
Recommendation:	Timely reconciliations are essential to the fair presentation of financial information based on accounting records. We strongly recommend that the City review their current procedures and make appropriate alterations to those procedures to ensure that all general ledger account balances are properly reconciled in a timely manner throughout the year. These alterations should include determining the appropriate number of competent staff in the Fiscal Services Department and the allocation of duties within the Department.
Status:	This matter has not been corrected for the year ended June 30, 2005.

City of Saginaw, Michigan
Schedule of Findings and Questioned Costs
June 30, 2005

2004-1 Reportable Condition Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that cash accounts are properly reconciled on a periodic basis.

Condition: The City is not preparing bank reconciliations in a timely manner. The bank reconciliation for June 30, 2004 for the pooled cash account was not fully completed until March 2005. When the reconciliation was complete the reconciling items included unidentified deposits and incorrect payroll transfers that remained unresolved.

Questioned Costs: None

Effect: When the City does not reconcile their cash accounts on a timely basis, the cash is more susceptible to fraud and misstatement. Also, incorrect payroll transfers cause insufficient funds to be available in the payroll account when checks are cashed and is resulting in the bank cashing the checks but charging a service fee for each check that is presented when there are insufficient funds.

Cause: Many factors are responsible for this situation; however, the main reason was that the Controller's office does not have sufficient, competent personnel to perform these duties.

Recommendation: We strongly recommend that the City review their current bank reconciliation procedures and make appropriate alterations to those procedures to ensure that all bank account balances are properly reconciled in a timely manner throughout the year. We also recommend that the procedures include the timely resolution and correction of reconciling items.

Status: This matter has not been corrected for the year ended June 30, 2005. The June 30, 2005 bank reconciliation was not completed until May 2006. In addition, the bank reconciliation included an unreconciled difference as of June 30, 2005. Also, we noted that the bank reconciliations are not reviewed upon completion. Therefore, we also recommend that all bank reconciliations be reviewed after they are completed.

City of Saginaw, Michigan
Schedule of Findings and Questioned Costs
June 30, 2005

2004-2 Reportable Condition Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, a receipt should support all cash and check collections by the City as a part of the records for all cash collection transactions. Also, other supporting documentation, such as remittance advices should be maintained for significant transactions to further support the amounts receipted into the City's records.

Condition: The City does not maintain printed receipts for all transactions and in many cases the supporting documentation for significant receipts is not maintained.

Questioned Costs: None

Effect: For many significant receipting transactions there was inadequate supporting documentation to provide sufficient evidence of the transaction reflected in the City's financial records. This results in significant time being expended to obtain any available supporting documentation when needed at a later time and increases the risk that any fraud or misstatement will not be detected in a timely manner.

Cause: The Treasurer's office does not have appropriate procedures in operation that identify inadequate documentation and, therefore, appropriate action was not taken to correct the situation.

Recommendation: We recommend that the current procedures be reviewed and appropriate alterations to those procedures be made to ensure that receipts are printed for all transactions and any supporting documentation that is available is included with the appropriate receipt.

Status: This matter has not been corrected for the year ended June 30, 2005.

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2004-3 Reportable Condition Considered to be a Material Weakness

Criteria: A strong system of internal controls over cash requires that procedures be established to reconcile the cash receipts recorded in the accounting records to the physical receipts and that those items also are reconciled to the bank deposits. These procedures should involve a variety of individuals to provide for adequate segregation of duties within the cash receipting function to prevent any one individual from controlling all aspects of a cash receipt transaction. The proper segregation of duties and adequate procedures are essential to ensuring that receipts are properly reflected in the financial records and to reduce the risk of fraud.

Condition: During the fiscal year, the cash drawers in the Treasury Department were not consistently reconciled, on a daily basis, to the cash post listings produced by the cash receipt system. As a result, each type of tender from an individual cashier's drawer did not always agree to the breakdown of receipts by tender type in the cash post listing. In addition, the individual cashier was responsible for the reconciliation of their drawer to the cash post listing and the creation of a deposit ticket based on the daily cash receipts.

Questioned Costs: None

Effect: The cash drawer counts did not always agree to the cash post listing which resulted in inconsistencies in the financial records, the daily deposits and the cash receipt documentation. The lack of adequate segregation of duties and inadequate controls creates the opportunity for fraud.

Cause: The Treasurer's office did not have appropriate control procedures in operation to provide an appropriate segregation of duties and to identify this issue and, therefore, appropriate action was not taken to correct the situation.

Recommendation: We recommend that the current procedures be reviewed and appropriate alterations to those procedures be made to provide for the segregation of duties and increased controls within the cash receipts function.

Status: This matter has not been corrected for the year ended June 30, 2005.

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2004-4 Reportable Condition Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, manual adjustments to the financial records should be supported by adequate documentation of the purpose, appropriateness and proper approval of each adjustment.

Condition: Manual adjustments to the financial records that were made by City staff throughout the fiscal year were not filed with adequate supporting documentation.

Questioned Costs: None

Effect: Information that is used to prepare and support manual adjustments is often needed at a later date and significant time and effort must be expended to recreate the documentation when the documentation is inadequate. With the changes in staffing in the Fiscal Services Department, there have been situations where the supporting documentation could not be reconstructed.

Cause: The policy of the Finance Director/Treasurer was that supporting documentation was not required to be maintained with a printed copy of the adjustment as long as the documentation could be recreated if needed.

Recommendation: We recommend that the Fiscal Services Department require that all manual adjustments be filed with adequate supporting documentation.

Status: This matter has not been corrected for the year ended June 30, 2005.

2004-5 Reportable Condition Considered to be a Material Weakness

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, for those billings processed through the accounts receivable system, the system should provide accurate detail of the invoices outstanding by customer at any given point in time and this detail should directly support the receivable accounts reflected in the general ledger.

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Condition: Accurate, itemized listings of outstanding invoices for City customers cannot be generated from the City's accounts receivable subsidiary module without specific manipulation of the data. As a result, a special query based on criteria defined by City staff is created to identify by customer, which billings are outstanding at a given point in time. Because these are custom written requests for information, there is the possibility that the criteria will not be properly defined to generate accurate information either by error or design.

Questioned Costs: None

Effect: Information that is used to reconcile the receivable general ledger balances may not be reflecting the true outstanding receivables and manual adjustments are made to these balances that are incorrect. In addition, the City cannot identify accurately what invoices are unpaid by customer and therefore, they cannot prepare a proper aging of those balances. This makes it difficult to pursue collection of the balances and to estimate the uncollectibility of any given invoice.

Cause: The cashiers in the Treasury Department are not properly trained on the correct manner to enter receipts into the system to apply payments against the proper invoice and/or they are simply deciding not to enter an invoice number with the receipt.

Recommendation: We recommend that the Treasury Department take all steps possible to have cashiers enter an invoice with the corresponding receipt. This may require additional training for the cashiers and additional procedures for entering amounts into the system but will result in the information contained in the accounts receivable module to be more accurate and also allow for the generation of system reports that were created by the software company rather than the custom reports.

Status: This matter has not been corrected for the year ended June 30, 2005.

2004-6 **Reportable Condition Considered to be a Material Weakness**

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, the detailed records of billings that are not generated from the accounts receivable system should be maintained to support the receivable balance recorded in the general ledger.

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Condition: Accurate, itemized listings of receivables that are not billed and tracked through the receivable module are not maintained for every receivable account and must be created at year end.

Questioned Costs: None

Effect: Information that is used to reconcile the receivable general ledger balances is created only at year end and may not be reflecting the true outstanding receivables; also manual adjustments are made to these balances that are incorrect. In addition, the age and collectibility of these accounts is not evaluated until that time, if at all.

Cause: The City does not have regular reconciliation procedures in place that require maintenance of these subsidiary records and regular review of the status of these receivables.

Recommendation: We recommend that the Fiscal Services Department take all steps possible to maintain subsidiary records for these receivable accounts on a regular basis.

Status: This matter has not been corrected for the year ended June 30, 2005.

2004-7 Reportable Condition Considered to be a Material Weakness

Criteria: The State of Michigan requires that local municipalities that collect taxes on behalf of others distribute those collections in a timely manner. Failure to comply with this requirement needs to be reported by the auditor to the State of Michigan.

Condition: The City has not distributed tax collections that are received through the Tax Collection Agency Funds to the other units in a timely manner.

Questioned Costs: None

Effect: The City has tax collections, such as a 2001 payment in lieu of taxes, that have not yet been distributed to the proper units. The City Treasurer has also paid some units more in taxes than was collected on their behalf. The Treasurer did not identify these problems in the normal procedures and now the City is not in compliance with State of Michigan requirements for collections and disbursements to other units.

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Cause: The Treasurer was not performing regular reconciliations of the tax collection agency accounts and also not associating disbursements to the other units with specific collections.

Recommendation: We recommend that the Treasury Department take all steps possible to reconcile the tax collection agency funds on a regular basis to determine the amounts to be returned to the City or distributed to the other governmental units. We also recommend that each disbursement to a unit be supported by specific documentation of the collections that have been received on the unit's behalf. The Treasury Department must closely monitor these funds to ensure that they return to compliance with State requirements.

Status: This matter has not been fully corrected for the year ended June 30, 2005. The payments in lieu of taxes have yet to be distributed to the applicable other units of government. However, the City appears to be in compliance for distributing their current year tax collections to other taxing entities.

2004-8 Reportable Condition

Criteria: To maintain accurate and complete accounting records and maintain adequate control of cash collections, the deposits and receipts of cash collections should occur in a timely manner.

Condition: The City has a few decentralized locations that make deposits of cash receipts directly at the bank and then provide the supporting documentation to the City Fiscal Services Department but these deposits are not reflected in the City's general ledger at the time of the transaction.

Questioned Costs: None

Effect: The City's general ledger does not accurately reflect the activity of the decentralized locations and this often results in unidentified deposits that must be resolved before the monthly bank reconciliations can be completed. The general ledger also does not reflect the timing of the deposits and there are often issues with the deposits being recorded in the incorrect time period.

Cause: When the decentralized locations provide the supporting documentation to the City Fiscal Services Department, these transactions are not immediately recorded in the City's general ledger and may not be recorded for several days or even weeks.

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Recommendation: We recommend that the Fiscal Services Department implement procedures to ensure that these transactions are recorded in a timely manner that results in the general ledger accurately reflecting the activity of the decentralized locations.

Status: This matter has not been corrected for the year ended June 30, 2005.

2004-9 Reportable Condition

Criteria: All disbursements of City funds should be supported by adequate documentation and recorded within the City's general ledger.

Condition: The City paid a single invoice to a vendor twice using different methods of payments. The first payment was by check to the vendor and the second payment was through a wire transfer directly from the City's bank account to the vendor's account. The wire transfer was not recorded in the general ledger.

Questioned Costs: None

Effect: The City paid a vendor twice for the same invoice and did not have adequate accounting records to identify this situation until the bank reconciliations were finally completed and the wire transfer was identified.

Cause: The Treasurer's Department does not have adequate procedures in place for wire transfers that would result in the communication of these wire transfers to the Fiscal Services Department in a timely manner, and that proper documentation of the purpose and approval of the wire transfers would be maintained as a part of the accounting records in the Fiscal Services Department.

Recommendation: We recommend that the Treasury Department implement procedures to ensure that wire transfers are done only when proper documentation of purpose and approval has been prepared and that these procedures include communication of these transactions to the Fiscal Services Department for proper recording in the general ledger.

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Status: This matter has not been fully corrected for the year ended June 30, 2005. While there were no specific instances noted of invoices being paid by both the Finance and Treasury Departments, there is still a lack of communication and formal process between the two departments for payments of items by wire transfer.

2004-10 Reportable Condition

Criteria: The State of Michigan Uniform Accounting Procedures Manual issued by the Department of Treasury requires that the City use separate bank accounts for the current tax collections, ACT 51 road/street funds, bond issues and other restricted funds.

Condition: The City includes the cash of the Tax Collection Agency Funds, the Major and Local Street Funds, and restricted cash such as portions of the pension and drug forfeiture cash in the pooled cash account.

Questioned Costs: None

Effect: The City is not complying with the State Uniform Accounting Procedures Manual.

Cause: A decision was made by the City Treasurer to include these funds in the pooled account.

Recommendation: We recommend that the City Treasurer establish separate bank accounts for the Tax Collection Agency Funds, ACT 51 funds and any restricted cash.

Status: This matter has not been corrected for the year ended June 30, 2005.

2005-1 Reportable Condition Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that adequate segregation of duties exists over the general ledger posting process.

Condition: Several employees can create and post journal entries to the general ledger without separate approval. Specifically, there are Treasury Department employees that can make wire transfers of cash and then post these entries to the general ledger without prior, written approval of the entry.

Questioned Costs: None

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Effect: Journal entries can be posted to the general ledger system, without any indications of review or approval.

Cause: The City does not have procedures in place that require review and approval of all journal entries prior to posting to the general ledger.

Recommendation: We recommend that the Fiscal Services Department develop procedures that require that all journal entries be reviewed prior to posting by a proper member of management.

2005-2 Reportable Condition

Criteria: The pension ordinance requires that employees meet various requirements prior to retirement in order to receive pension benefits.

Condition: There were employees that retired during the year ended June 30, 2005 that did not meet the minimum requirements for retirement, but were still allowed to receive benefit payments. In addition, there are employees that retired prior to July 1, 2004 that also did not meet the requirements for retirement.

Questioned Costs: None.

Effect: The stated voluntary retirement age for a police officer/fire fighter to receive voluntary retirement is actuarial age fifty, as long as they have reached 20 years of credited service. On October 11, 2002, Deputy Police Chief O'Neal was allowed to retire with 16 years and 11 months of service. On January 21, 2005 Deputy Police Chief Booker was allowed to retire with 19 years and 1 month of service. The stated service credit requirements are that in no case shall less than 10 days of service rendered be credited as a month of service; nor shall less than 10 months of service in any calendar year rendered be credited as a year of service; nor shall more than one year of service be credited any member for all service rendered in any calendar year. On January 2, 1996, Police Chief Perez was credited with 5 years of service upon payment to the pension system of 5% of his full-time compensation multiplied by the five years of service time. On December 28, 2002, Assistant Fire Chief Garcia was credited with 3 years and 5 months of service upon payment to the pension system of 5% of his full-time compensation multiplied by the 3 years and 5 months of service time. On August 14, 2004, Police Chief Pussehl was credited with 7 years and 4 months of service time upon payment to the pension system of \$38,459.99. On January 21, 2005,

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Deputy Police Chief Booker was credited with 11 months of service upon payment to the pension system of \$4,441.33. Since the aforementioned individuals did not meet the pension ordinance requirements, amendments to the ordinance were required to have been made by the City Council. However, no such action appeared to have been taken by the Council during the year ended June 30, 2005.

Cause: The City allowed employees to receive benefits without ensuring that all applicable ordinance changes were made.

Recommendation: We recommend that the City Council take the necessary steps to ensure that the ordinance is updated to allow these retirements. Also, we recommend that no payments are made to future retirees without the proper assurance that all requirements have been met.

2005-3 Reportable Condition

Criteria: The City must comply with state statutes regarding the investment of the public funds.

Condition: There were investments held during the year ended June 30, 2005 that did not comply with these state statutes.

Questioned Costs: None.

Effect: The State has determined that investments which have been held by the City for over twenty years, are in violation of State investment guidelines. In addition, the City purchased insurance policies on key City employees to be held as long-term investments during the year ended June 30, 2005. These investments are held in the Public Employee Healthcare Internal Service Fund; however they are not allowable investments of the fund.

Cause: The City purchased the insurance policies without first establishing a public employee health care trust fund, thereby causing these investments to be unauthorized.

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Recommendation: We recommend that the City establish a public employee health care trust in accordance with the Public Employee Retirement System Investment Act, PA 314 of 1965, MCL 38.1132 to 38.1140. No further action is recommended for the other unauthorized investments of the City because they have matured during the year ended June 30, 2006.

2005-4 Reportable Condition

Criteria: OMB Circular A-87 requires that all indirect costs charged to grant funded programs be in accordance with central service cost allocation plans approved by the cognizant agency or, in cases where such plans are not subject to approval, in accordance with the plan on file.

Condition: The City is currently charging grant-funded activities for indirect costs without formal, approved cost allocation plans.

Questioned Costs: None.

Effect: The City is requesting reimbursement for potentially unallowable indirect costs, specifically for information management services for which there is no formal plan.

Cause: The City has charged grant-funded activities, specifically those in the Community Development Block Grant Fund, based upon the methodology developed during the budgeting process without having this method approved by the grantor agency.

Recommendation: We recommend that the City establish procedures to ensure that formal cost allocation plans are approved by the various grantor agencies prior to grant-funded activities being charged for any indirect costs.

2005-5 Reportable Condition Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that the City employ sufficient properly trained staff to ensure accurate reporting of the City's financial position during the year.

Condition: The City does not currently have an adequate number of properly trained staff within the Fiscal Services Department to ensure that the City's financial position can be reasonably and accurately determined during the fiscal year.

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Questioned Costs: None

Effect: Many of the City's general ledger account balances become materially misstated during the year, which places the City at serious risk of having assets misappropriated. In addition, this situation places the City's management and council at severe disadvantages in the administration of the City's finances and budget. Also, this has caused management-level employees in the Fiscal Services Department to be too active in the day-to-day accounting function to perform their necessary oversight activities, thereby creating a lack of segregation of duties.

Cause: The primary reason for this situation is that the Fiscal Services Department does not have sufficient, competent personnel.

Recommendation: We strongly recommend that the City review the components of the current Fiscal Services staff and make the appropriate necessary steps to ensure that all accountants receive appropriate training to meet the requisite competency levels.